Interim Report on College Affordability

In Kentucky

(Review Draft, do not publish or quote)

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Executive Summary

Are Kentucky colleges and universities affordable? There is no single definition that defines affordability. Measures used in this report suggest that net price should not exceed $5,000, the amount that a student could earn working part-time at minimum wage. Another proposed indicator is net price in public 4-year institutions, which should not exceed 30 percent of family income, which is used in *Measuring Up* state reports. Other measures include indications of excessive borrowing or matching prices charged by peer institutions.

The review is limited to full-time students in the fall of 2004. Data were provided by most of the public and nonprofit private institutions in the state, proprietary institutions are not included.

What is the price that students pay? Most students do not pay the full costs of attending college in Kentucky. Net price is the price after grants are subtracted and out-of-pocket costs is the price paid after loans. These are more meaningful measures of affordability than the published price.

Public 2-year colleges: The net price of attending a public 2-year college in Kentucky is within reach of most students. The exception to this is independent students who have higher costs of attendance.

Public 4-year institutions: The net price of attending a public 4-year college or university in Kentucky is within reach of most students. Again, low-income independent students face the highest financial hurdle.

Private colleges and universities: Institutional aid along with state aid and loans help keep attendance at private institutions in the state at the margins of affordability for low-income students.

Student debt: On average, Kentucky students are on par with national rates in their use of loans and the amount borrowed.

Equity: Grant aid in Kentucky is distributed equitably, mostly due to federal aid. The net prices paid by Kentucky students increase with income and the net price increases with higher prices of attendance.

Kentucky state grants are awarded to students in all income groups, even those who did not file for need-based aid. The state programs represent a mix of purposes including recognizing merit, addressing financial need and helping equalize tuition for Kentucky residents in private institutions. It would be possible to reprogram some of the award rules to address the affordability gaps. Independent students are not very likely to receive a Kentucky Educational Excellence Grant, which could be modified to help them with their costs.

College Affordability in Kentucky: Part I -- An Analysis of the Data

PURPOSE

The purpose of this report is to review what Kentucky undergraduates are paying to attend college. The report provides basic information necessary to address the question posed in the "Public Agenda for Postsecondary Education in Kentucky 2005-2010" (March 21, 2005) -- "Is Kentucky postsecondary education affordable to its citizens?"

Affordability includes three components. First is the student's and his or her family's ability to pay for college. Second is the tuition and other costs associated with attending college. Third is the amount of student financial aid that is available to help students pay for their education. All three must be considered in any analysis of affordability.

The tables on college costs show the published (or "sticker") price; the net price, which is the price of attendance after all grant aid is awarded; and the out-of-pocket price, which is the price the student pays after all loan and grant aid is subtracted. The remaining amount must be paid by the student and his or her family. Unmet need refers to the costs that are not covered after the expected family contribution is added to the calculation.

The question is to what degree college and university attendance in Kentucky is affordable. The data show variation in the different measures of price of attendance by income group and type of institution attended. The charts show how grant aid and loan aid change the price of attendance.

The data show how much students are paying to attend college, but do not provide an answer to the policy question of what is affordable. First, the analysis is limited to people who decided to attend college. We have not estimated the number of potential students who decided not to attend college because they thought the price was too high. Second, the amount that students and their families are willing to pay out of their resources is a personal decision based on their perception of the value of the education.

There are some "rule-of-thumb" estimates of affordability that can be used. Consideration should be given to deciding if the amount that a student and his or her family is being asked to pay after the distribution of all aid is realistic. The first measure is to determine if the student is able to pay their education costs by working. In general, we assume that a student working part-time can earn an annual maximum of $5,000; this amount could be contributed to the cost of their education. Some observers express concern that very low-income students have to contribute to their family's expenses and cannot keep all their earnings for their own use.

An alternative definition of affordability is unmet need. The federal needs analysis system defines an expected family contribution (EFC) toward education costs. The calculation estimates the amount of discretionary income a family has based on income,

assets, family size, number attending college and extraordinary expenses. A portion of a student's income is included in the calculation of EFC. The EFC increases faster than actual income as discretionary income increases. The greater the unmet need, the harder it will be for the student to pay for college.

Issues of equity should also be considered when defining affordability. Are students with similar circumstances being asked to pay the same amount to attend college? Are students with different circumstances paying an appropriately different amount? Generally, equity suggests that students with greater ability to pay should do so and that students attending more expensive colleges should pay more than those in less expensive institutions.

Without agreeing on a measure of affordability, the results show which students are paying more than others. Finally, a policy decision needs to be made about which measure is appropriate and how the state can monitor affordability on an ongoing basis.

In general, the results show that most students are facing a net price that is affordable, given their ability to contribute to their own education. The state grants are not very progressive; they tend to be evenly distributed across income groups. Institutional grants are more likely to go to higher-income Kentucky residents. The results suggest that independent students are being asked to pay a larger share of their own expenses than are dependent students.

METHODS

The data were collected from the financial aid offices of participating institutions and include only Kentucky residents. The financial aid data and the price of attendance information were added to the state student unit record information system. They were matched using a project ID generated by an encryption program that converted the student Social Security number to a unique project ID. We had no other student identifier.

Results are reported by three major higher education sectors: public 4-year, public 2-year and all private institutions. For-profit institutions are not included in the report. Individual institutional results are not reported for confidentiality purposes.

Students are divided into two groups in the tables and charts -- dependent and independent. The categories indicate whether parental income is included with that of the student determine family contribution, or whether the student is independent of his or her parent's income. Independence is determined largely by age (24 or older), but other circumstances can place a younger student into the independent group. Being a ward of the court, an orphan or a veteran, or being married and/or having a child may make a younger student independent of parental income for determining the need for student aid.

Income is only available for students who applied for student aid by filling out the federal application form. High-income students may complete the needs analysis form even if

they want an unsubsidized loan, which is not awarded based on need. Many students do not apply for any aid and we have no income data for them. We assume that in most cases, these students did not believe they were eligible for student aid because their income was too high, but that may not be true in all instances.

The analysis is limited to those Kentucky students attending as full-time undergraduates in the fall of 2004. Too few part-time students complete the federal application for aid to provide a meaningful analysis.

The award amounts and price of attendance for the fall enrollment period have been doubled to estimate annual results. This was necessitated by the fact that the private colleges and universities in Kentucky only provide the state with student unit record information in the fall. In order to include private sector institutions in the report, we needed to limit the data collection to the single semester.

In cases where net price was negative (meaning the total amounts of grants exceeded the sticker price), the calculations assume a net price of 0. See Appendix A for the list of included institutions. Not all Kentucky institutions participated. More may be added for the final report if their data are received in time.

Students were divided into six income groups. Dependent students are divided into quartiles and independent students are reported as either high or low income. The income groups are shown in table 1.

Table 1.—Income range and median income of Kentucky undergraduates who applied for student aid: Fall 2004

	Income range	Median income
Dependent students		
Lowest income quartile	Less than $24,097	$12,400
Second income quartile	$24,098 - $45,181	$34,135
Third income quartile	$45,185 - $73,924	$58,892
Top income quartile	$73,924 and over	$106,757
Independent students		
Lower one-half	Less than $16,648	$6,658
Upper one-half	$16,648 and over	$34,385

The expected family contribution for students in each of these income groups can vary depending on family size, number of family members in college and extraordinary expenses. Table 2 shows the average expected family contribution (EFC) for Kentucky undergraduates in all income groups. In each income group, students in the public 2-year have a slightly lower EFC than the others, which suggests that they tend to be lower income and have other expenses compared with students in the same income group in the other two sectors.

EFC differs among the three higher education sectors for families in the same income group. This represents the fact that generally, students in the higher-income groups probably go to a more expensive institution. For example, families in the 1st dependent income quartile would be expected to contribute between $400 and $1,000 toward their education, depending on where they enrolled.

Table 2.—Average EFC of Kentucky undergraduates who applied for aid by income and institutional type: Fall 2004

	Dependent students				Independent students	
	Lowest income quartile	Second income quartile	Third income quartile	Top income quartile	Lower one-half	Upper one-half
All	$640	$2,714	$7,781	$21,075	$396	$4,296
Public 2-year	380	2,528	7,429	18,975	305	3,277
Public 4-year	732	2,820	7,933	20,834	513	4,947
Private	1,079	2,656	7,686	23,146	432	6,025

EFC has not been included in the calculations of net price or out-of-pocket costs. The EFC provides guidance on how much a family should be able to pay out of current income, savings and other assets. It is one measure that is useful in determining affordability for different groups of students.

ENROLLMENT

Chart A shows the distribution of full-time and part-time Kentucky undergraduates in each of the three higher education sectors. Part-time students dominate in community colleges; the number of Kentucky residents enrolled in private institutions is relatively small compared with the other two sectors.

Chart A.—Enrollment distribution of Kentucky undergraduates by attendance status and institutional type: Fall term 2004

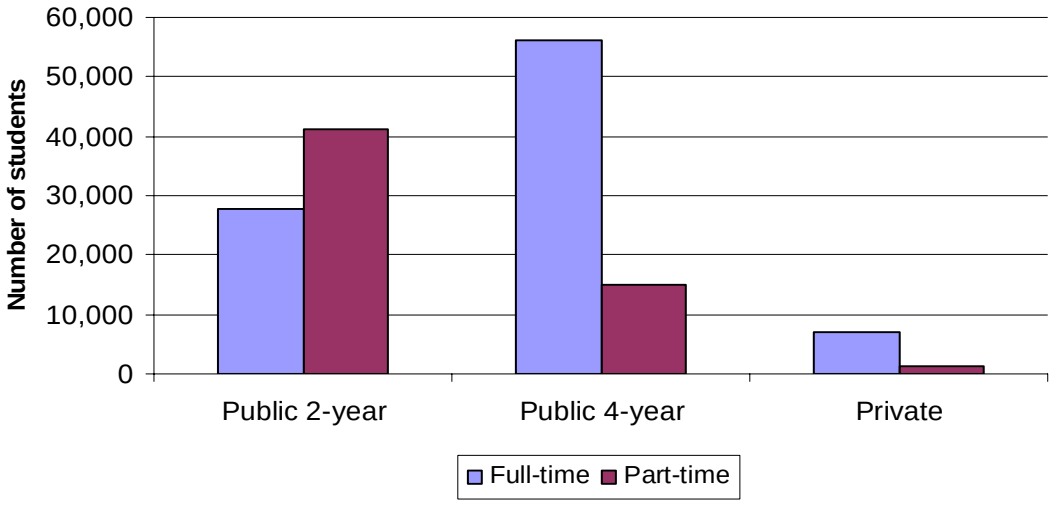
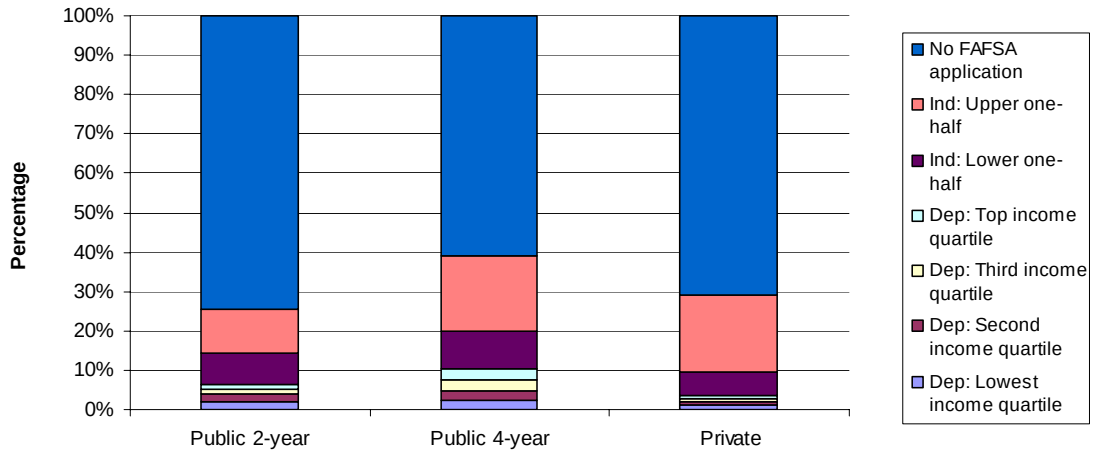


Chart B shows the enrollment distribution of part-time undergraduates. As can be seen, very few part-time students (defined as less than 12 credits in the fall semester) have applied for student aid in Kentucky. Independent students comprise the bulk of applicants from this pool. Because we know so little about the income of this group and because they do not utilize very much student aid, they are not included in the rest of the report. This does not mean that they do not have financial need, or that they may have attended full-time if they had adequate financial resources to do so.

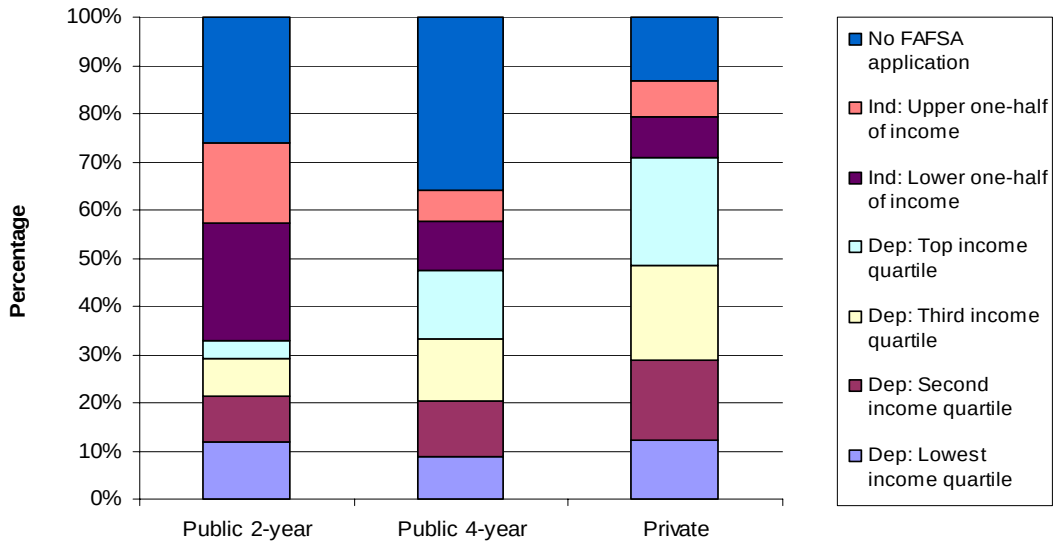
Chart B.—Enrollment distribution of part-time Kentucky undergraduates by income group and institutional type: Fall term 2004



Full-time undergraduates are much more likely to apply for aid and complete the Free Application for Federal Student Aid (FAFSA). Chart C shows the distribution of students by income category and documents the fact that 36 percent of the full-time undergraduates in public 4-year institutions did not complete a FAFSA.

The results also confirm that independent students make up a large share of the enrollment in community colleges and that private institutions enroll a larger percentage of dependent students from the upper two income quartiles. This increase came from the relatively small share of independent students, because proportionally, the private sector more than holds its own in terms of enrollment of dependent students from the two lowest income quartiles. This distribution reflects the differences in the institutional price and mission.

Chart C.—Enrollment distribution of full-time Kentucky undergraduates by income group and institutional type: Fall term 2004

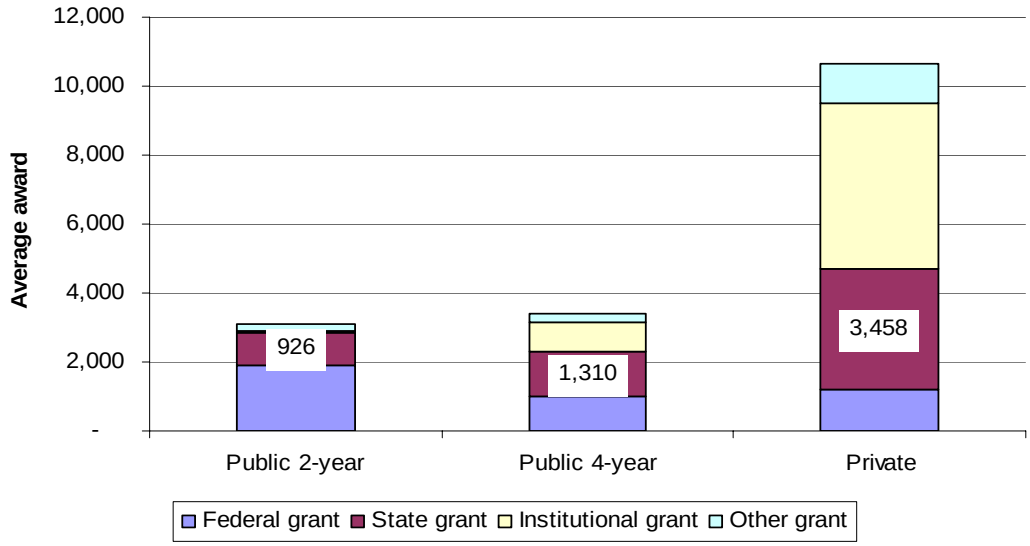


DISTRIBUTION OF STUDENT AID

Grant aid is the student aid building block to help students pay for college. Grants can be funded by the federal government, the state, or institutional and private sources. Chart D shows the estimated annual award averaged across all full-time students enrolled, regardless of whether or not they received aid. The state award amount is specified in the chart.

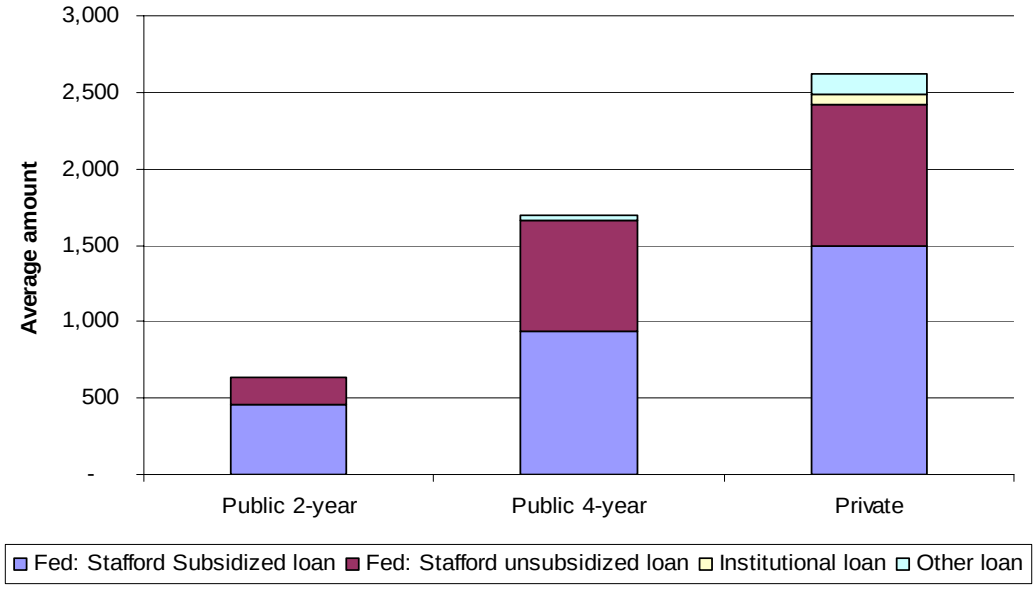
The results show that there was not much difference in the total award amount received by students in public 2-year and public 4-year institutions. There is a difference in the source of the aid. Community college students are more dependent on Pell Grants, while public 4-year students get larger state grants and more institutional aid. Students in private institutions receive much larger state grants and institutional grants than those in public sector institutions.

Chart D.—Average grant award for all full-time Kentucky undergraduates by source of grant and institutional type: AY2004



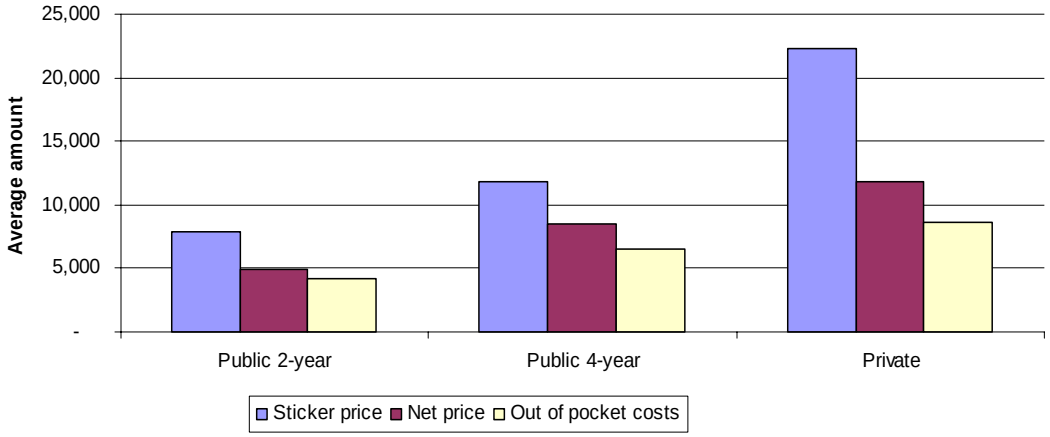
Loans play a smaller role than grants in helping Kentucky undergraduates pay their college expenses (Chart E). Again, this represents the loan amount averaged across all full-time Kentucky undergraduates. Students in public 2-year institutions do not use many loans and if they do, they receive a subsidized loan, which is needs-tested. Unsubsidized loans may go to students with no need, but they must complete a FAFSA in order to qualify. Most loans are federal. Other loans may come from private sources; they are not an important source of cash for Kentucky students. A student could, however, apply for a private loan without going to the student aid office and it would not be recorded.

Chart E.—Average loan amount for all full-time Kentucky undergraduates by source of loan and institutional type: AY2004



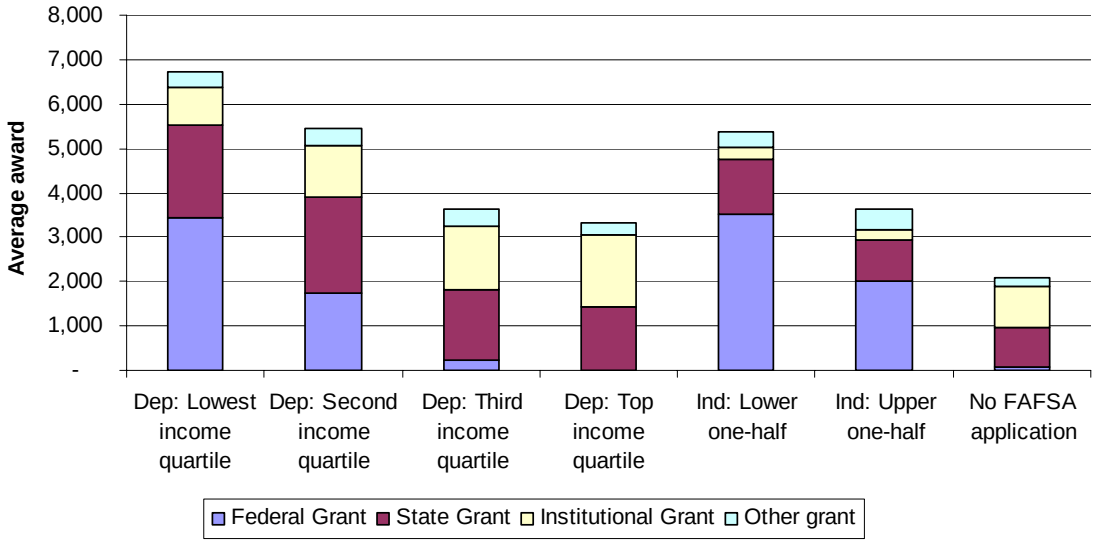
By subtracting the average grant from the student's price of attendance, we calculated an average net price for each type of institution. Out-of-pocket price is the total the student and his or her family have to pay at the time they enroll. Non-tuition costs are those estimated by the institution for each student who received student aid. We used the IPEDS estimated cost of attendance for students who did not complete a FAFSA. Full-time community college students have to come up with about $4,000 on average to attend college for one year (Chart F). The net price for students in public 4-year institutions exceeds $8,000, but is reduced by nearly $2,000 when loans are considered. Finally, Kentucky students in private institutions have a net price just under $12,000, but an out-of-pocket cost of just over $8,000, which is roughly the same as the net price paid by students at public 4-year institutions in the state. As the tuition increases, loans play a more important part in helping students pay for college.

Chart F.—Average sticker price, net price (sticker price - grants) and out-of-pocket costs (sticker price - grants - loans) for all full-time Kentucky undergraduates by institutional type: AY2004



The next chart shows the grant awards going to students in the different income groups, regardless of the type of institution attended. The data show the progressive nature of the federal grants, which are need-based. Institutional grants play a progressively greater role as dependent student income increases. Independent students receive large federal grants and very little institutional grant assistance. State grants are relatively consistent across the income groups, with independent students receiving a smaller share than dependent students.

Chart G.—Average grant amounts for all full-time Kentucky undergraduates by income: AY2004



Grants are evenly distributed among Kentucky students (Table 3). In private institutions, the student's income group makes almost no difference; nearly everyone gets a grant. In the public sector institutions, the percentage of students receiving grants drops off by income group, but the majority of students in the highest income quartile receive grants, almost all from either the state or institutional sources.

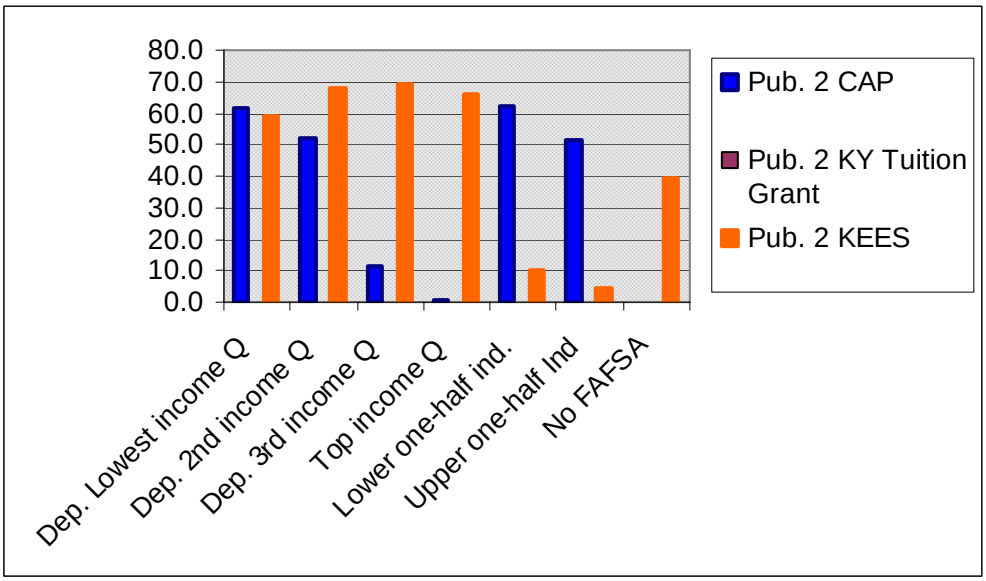
Table 3.—Percentage of full-time Kentucky undergraduates receiving any grants by income and institutional type: Fall term 2004

	Dependent students				Independent students		
	Lowest income quartile	Second income quartile	Third income quartile	Top income quartile	Lower one-half	Upper one-half	No FAFSA
Average	97.1	92.9	83.6	82.2	95.8	75.3	63.9
Public 2-year	96.9	91.9	76.0	68.1	96.9	82.5	46.1
Public 4-year	97.1	92.1	82.8	80.9	94.6	64.2	69.5
Private	98.6	99.4	99.3	98.4	95.6	89.4	84.0

Kentucky has several state grant programs, but three of them provide the overwhelming majority of aid dollars. The College Access Program Grant (CAP) provides grants to students based on need. The Kentucky Educational Excellence Scholarship (KEES) provides aid to students based on academic achievement. The Kentucky Tuition Grant, a need-based program, helps Kentucky students pay tuition if they decide to attend a private institution in the state.

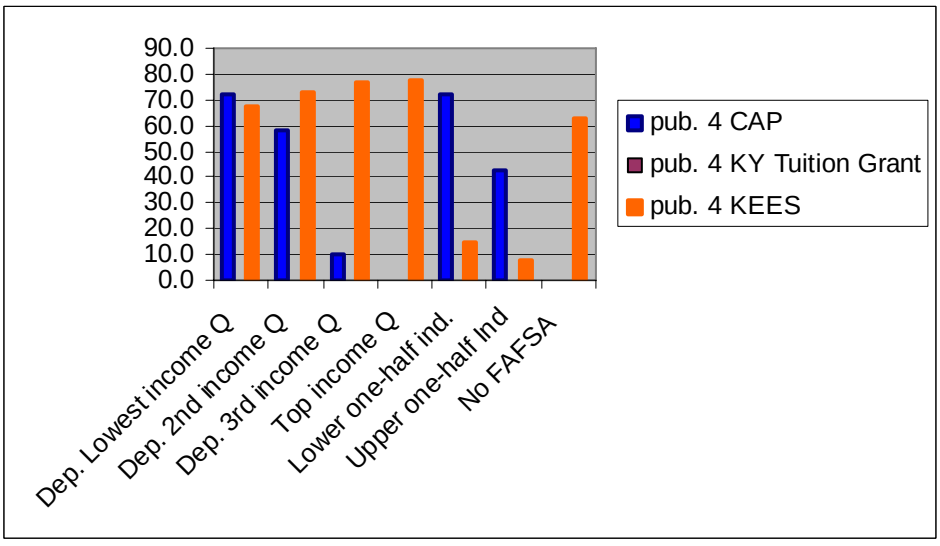
Given that the three programs serve different purposes, it is instructive to see how they work together. The percent of students receiving the different grants varies by income within each sector. In community colleges, between 60 and 70 percent of the students receive a KEES, but very few independent students receive one. The CAP grant helps more low-income dependent and independent students. If a student does not complete a FAFSA, he or she cannot receive a CAP grant.

Chart H. Percentage of Full-Time Undergraduates Attending a Public 2-year Institution Who Received a State Grant in Fall 2004



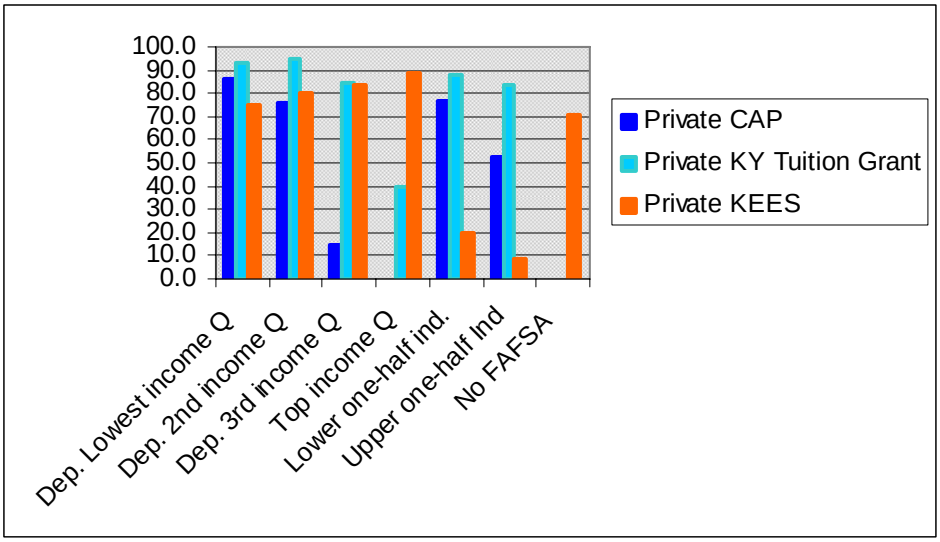
The data from public 4-year institutions in the state show a similar pattern to the community college results, except that the range for the percent of students receiving a KEES award by income varies between 70 and 80 percent. Again, relatively few independent students receive a KEES.

Chart I. Percentage of Full-Time Undergraduates Attending a Public 4-year Institution Who Received a State Grant in Fall 2004



The award pattern for Kentucky students in private institutions is complicated by the introduction of the Kentucky Tuition Grant, which is income-sensitive and helps independent students as well as dependent students. Again, the percent of dependent students receiving a KEES award increases with income and does not provide much help for independent students.

Chart J. Percentage of Full-Time Undergraduates Attending a Private Institution Who Received a State Grant in Fall 2004



Loan use is greater among independent students compared with dependent students (Chart K). Middle and higher-income dependent students borrow more than dependent students in the two lower income groups.

Students in the highest dependent income group make extensive use of unsubsidized loans. This is perceived as a loan of convenience, not necessity. Unsubsidized loans allow a student to spread some of the college expenses over time.

Chart K.—Average loan amounts for all full-time Kentucky undergraduates by income: AY 2004

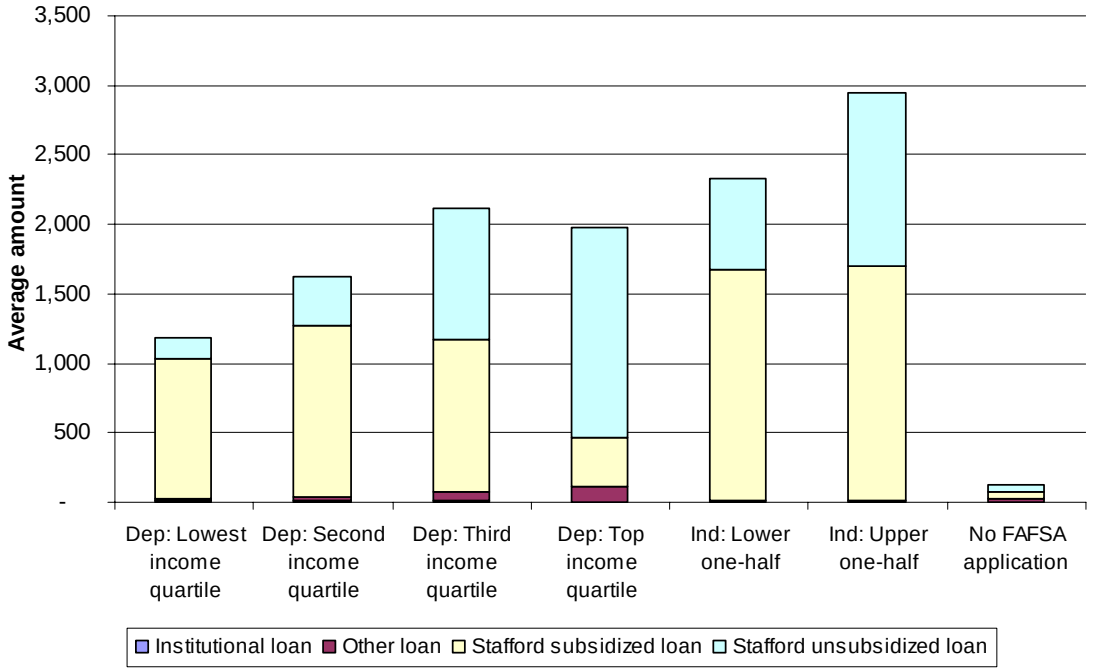


Table 4 shows that students in the higher income groups are more likely to borrow than are those in the lower income groups. Students in higher income groups are more likely to use unsubsidized loans, which means that they are not needs-tested and can be used to help pay the expected family contribution in cases where the parents cannot get a PLUS loan.

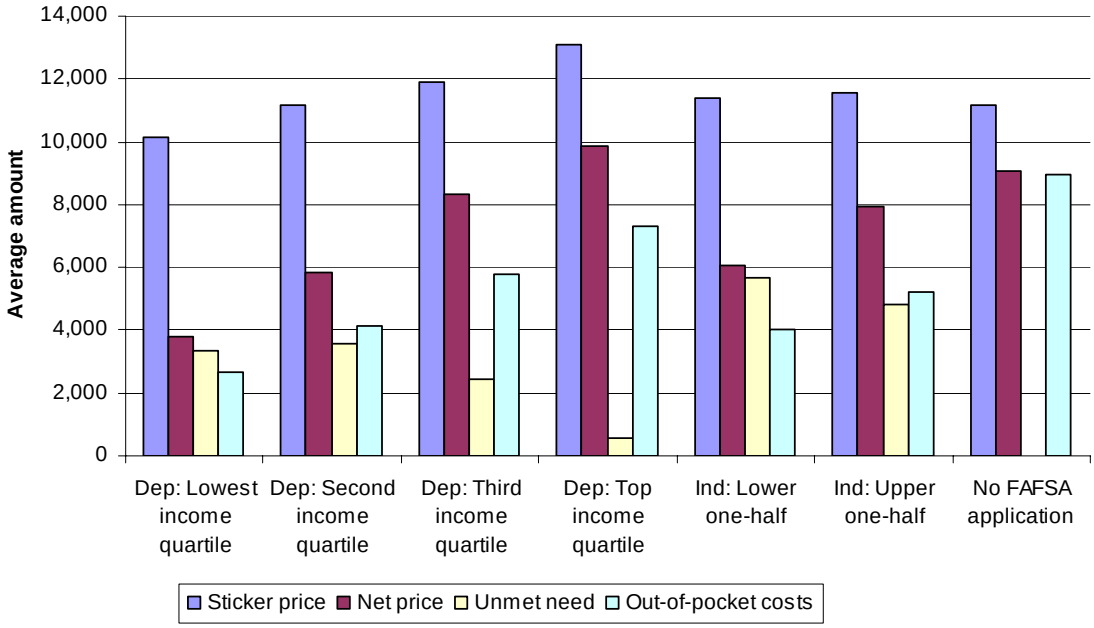
Table 4.—Percentage of full-time Kentucky undergraduates receiving any loans by income and institutional type: Fall Term 2004

	Dependent				Independent		
	Lowest income quartile	Second income quartile	Third income quartile	Top income quartile	Lower one-half	Upper one-half	No FAFSA application
Public 2-year	11.6	16.5	29.5	28.6	32.0	36.4	1.7
Public 4-year	47.2	53.1	61.8	53.1	70.3	75.7	2.8
Private	65.6	65.9	65.7	55.4	64.2	59.9	5.8
Total	36.1	45.1	55.9	50.9	50.1	54.1	2.6

Chart L shows the sticker price, net price, unmet need and out-of-pocket price paid by students in the different income groups. In general, net price and out-of-pocket costs increase progressively by income group for dependent students. This is a result of both distribution of student aid and the type of institution attended. Unmet need declines as the expected family contribution, in combination with grant aid, increases with income. We cannot calculate unmet need for students who did not complete a FAFSA, but the

results show that they receive state and institutional grants that reduce their price of attendance.

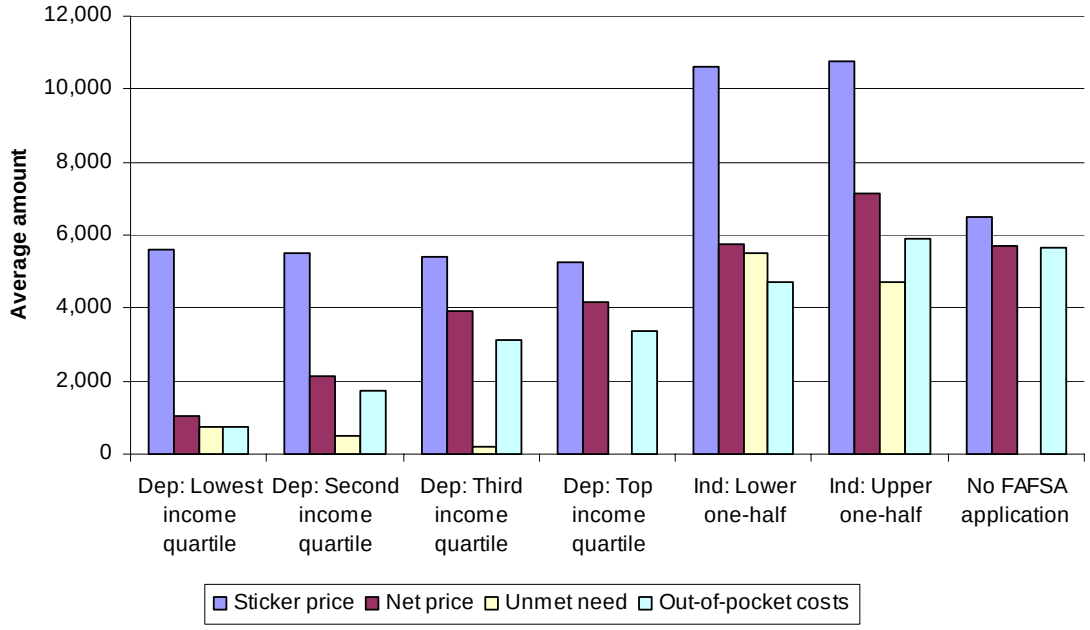
Chart L.—Average sticker price, net price (sticker price - grants), unmet need and out-of-pocket costs (sticker price - grants - loans) for all full-time Kentucky undergraduates by income group



A more detailed look at the prices paid by students according to income in each of the sectors reveals how students with different incomes are paying for college.

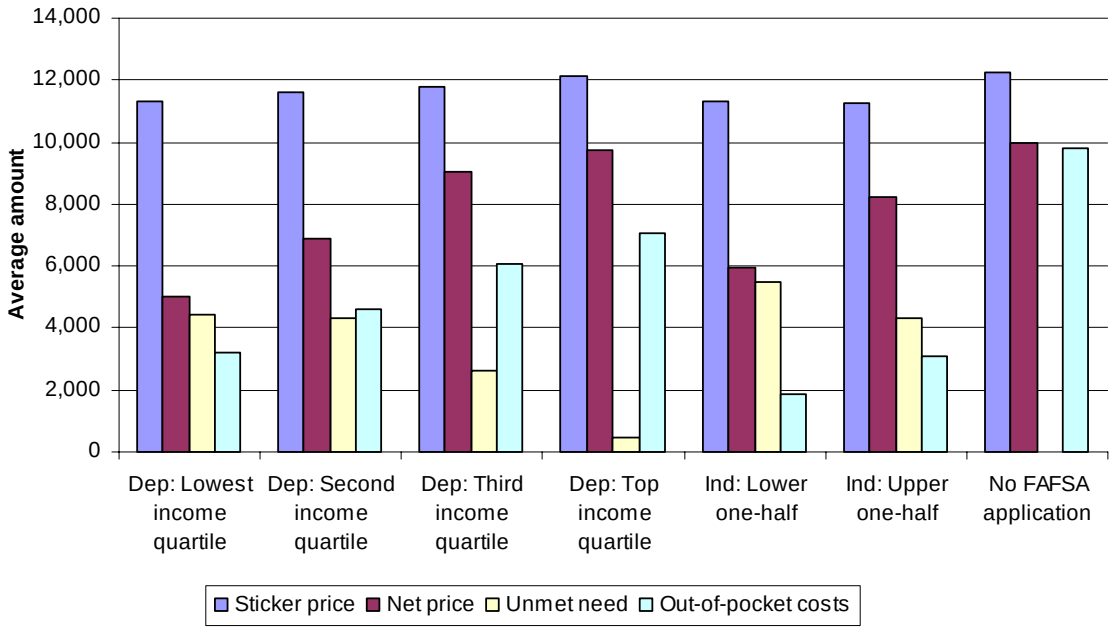
First, we look at public 2-year institutions (Chart M). The data suggest that the average dependent undergraduate has a manageable net price. The net price is beyond their expected family contribution, but it is within their capacity to work part-time to pay the full net price with no help from their parents. Independent students face the highest net price in public 2-year institutions. Independent students in the lowest income half were expected to be able to contribute over $4,000 out-of-pocket and nearly $6,000 after grants. By that measure, they may be facing difficult financial pressures.

Chart M.—Average sticker price, net price, unmet need and out-of-pocket costs for full-time Kentucky undergraduates in public 2-year institutions, by income: AY2004



The pattern in public 4-year institutions shows higher net prices for students in every income group compared with community colleges and a larger difference between the net price and the out-of-pocket cost (Chart N). It also shows that the higher sticker price faced by independent students increases their net price even with generous grants and borrowing. Independent students in the lower income group have a net price of attendance that is not significantly different from the same group in public 2-year institutions. The out-of-pocket cost is significantly lower for both independent student groups compared with those attending public 2-year students.

Chart N.—Average sticker price, net price, unmet need and out-of-pocket costs for full-time Kentucky undergraduates in public 4-year institutions, by income: AY2004



In private institutions, net price for the lowest-income dependent student is over $7,000, with an out-of-pocket price of $4,000 (Chart O). That would allow a low-income student in a private institution to work enough to pay their costs, with very little left over. Without loans, attending a private institution in Kentucky would be out of reach for students in the lowest income quartile.

Chart O.—Average sticker price, net price, unmet need and out-of-pocket costs for full-time Kentucky undergraduates in private institutions, by income: AY2004

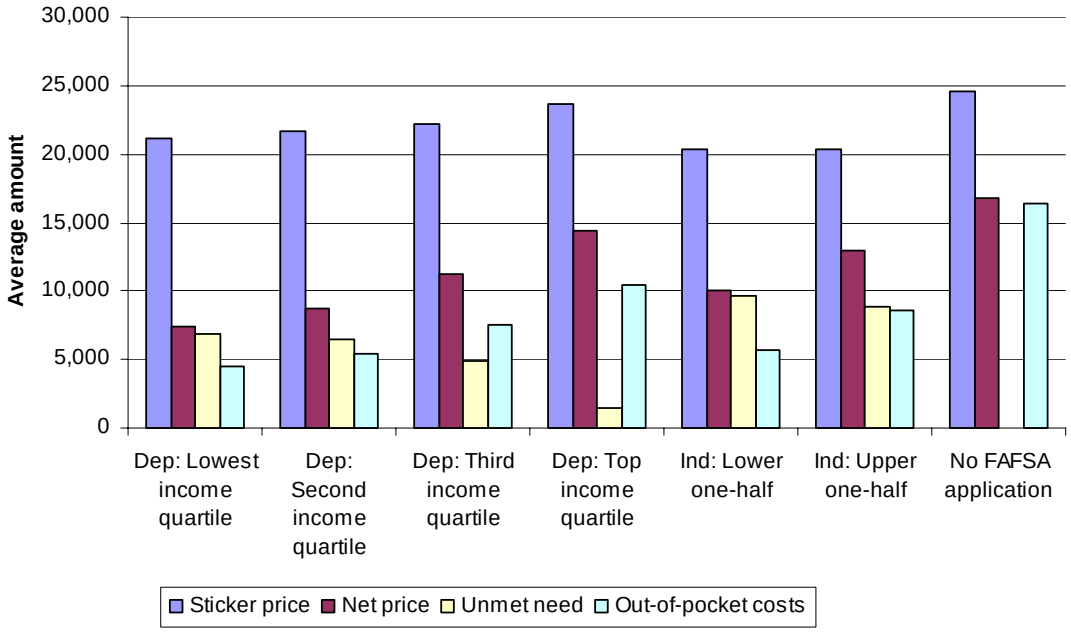


Table 5 shows the net price for each income group compared with the average income for the students in that group. The percent of income that is necessary to pay the net price is shown in the last row for each institutional sector. We have used the Census report of median family income for a family of four for the comparison for all students because we have no FAFSA income for non-filers. The results show areas of concern based on the "Measuring Up" criteria that net price should not exceed 30 percent of family income.

The most obvious concern is with lower-income independent students. Without borrowing, they need to commit nearly all of their income to the costs associated with attending college. Low quartile dependent students are over the 30 percent standard in both public 4-year and private institutions in the state.

Table 5.—Average net price compared with annual income for all full-time Kentucky undergraduates by income and institutional type: AY2004

	Dependent				Independent		No FAFSA application	ALL
	Lowest income quartile	Second income quartile	Third income quartile	Top income quartile	Lower one-half	Upper one-half		
	Average							
Net price	3,790	5,864	8,318	9,845	6,051	7,942	9,092	7,646
Annual income	12,400	34,135	58,892	106,757	6,658	34,385	N/A	53,198
Net price/Annual income	30.6%	17.2%	14.1%	9.2%	90.9%	23.1%	N/A	14.4%
	Public 2-year							
Net price	1,018	2,119	3,893	4,146	5,771	7,156	5,724	4,869
Annual income	12,665	33,806	57,735	97,083	6,892	32,636	N/A	53,198
Net price/Annual income	8.0%	6.3%	6.7%	4.3%	83.7%	21.9%	N/A	9.2%
	Public 4-year							
Net price	5,006	6,905	9,040	9,728	5,972	8,215	9,963	8,502
Annual income	12,304	34,214	59,195	106,759	6,433	36,179	N/A	53,198
Net price/Annual income	40.7%	20.2%	15.3%	9.1%	92.8%	22.7%	N/A	16.0%
	Private							
Net price	7,427	8,685	11,287	14,389	10,010	12,953	16,806	11,824
Annual income	11,934	34,456	59,076	113,440	6,121	37,246	N/A	53,198
Net price/Annual income	62.2%	25.2%	19.1%	12.7%	163.5%	34.8%	N/A	22.2%

*For institutions included in the study.

SUMMARY

By most measures, Kentucky higher education is within reasonable range of affordability for most students. The biggest exception to this is independent students in the lowest income group, who do not receive as much state aid as dependent students and face a higher net price with more borrowing. Some students in the lowest income quartile attending 4-year public or private institutions are at the margins of affordability. Community colleges are well within the affordable range for students in all income groups.

The results suggest that the basic conditions of equity have been met. Lower income students have lower net prices than those with higher incomes. Students attending higher-priced institutions are paying more than those attending lower-priced institutions. Kentucky students do not appear to have an unreasonable debt load on average. Since these results are based on averages, it should be noted that individual students may face very different circumstances than those suggested by the average.

Kentucky is providing grant assistance to a large number of students that could afford to go to college without the help. It would be possible with the funds available to restructure the aid distribution to close the affordability gaps.

We suggest that Kentucky continue to collect the data that would allow the state to monitor changes in affordability over time.

Appendix A.—Kentucky Affordability Study: Institutional Response

	Included in study
Public 2-year	
ASHLAND COMMUNITY AND TECHNICAL COLLEGE	Yes
ASHLAND TECHNICAL COLLEGE	Yes
BIG SANDY COMMUNITY AND TECHNICAL COLLEGE	Yes
BIG SANDY COMMUNITY AND TECHNICAL COLLEGE-MAYO CAMPUS	Yes
BOWLING GREEN TECHNICAL COLLEGE	Yes
CENTRAL KENTUCKY TECHNICAL COLLEGE	Yes
ELIZABETHTOWN COMMUNITY COLLEGE	Yes
ELIZABETHTOWN TECHNICAL COLLEGE	Yes
GATEWAY COMMUNITY AND TECHNICAL COLLEGE	Yes
HAZARD COMMUNITY AND TECHNICAL COLLEGE	Yes
HENDERSON COMMUNITY COLLEGE	Yes
HOPKINSVILLE COMMUNITY COLLEGE	Yes
JEFFERSON COMMUNITY COLLEGE	Yes
JEFFERSON TECHNICAL COLLEGE	Yes
LAUREL TECHNICAL COLLEGE	Yes
LEXINGTON COMMUNITY COLLEGE	No
MADISONVILLE COMMUNITY COLLEGE	Yes
MAYSVILLE COMMUNITY COLLEGE	Yes
OWENSBORO COMMUNITY AND TECHNICAL COLLEGE	Yes
OWENSBORO COMMUNITY AND TECHNICAL COLLEGE	Yes
PADUCAH COMMUNITY COLLEGE	Yes
ROWAN TECHNICAL COLLEGE	Yes
LAUREL TECHNICAL COLLEGE	Yes
WEST KENTUCKY TECHNICAL COLLEGE	Yes
Public 4-year	
EASTERN KENTUCKY UNIVERSITY	Yes
KENTUCKY STATE UNIVERSITY	Yes
MOREHEAD STATE UNIVERSITY	Yes
MURRAY STATE UNIVERSITY	Yes
NORTHERN KENTUCKY UNIVERSITY	Yes
UNIVERSITY OF KENTUCKY	Yes
UNIVERSITY OF LOUISVILLE	Yes
WESTERN KENTUCKY UNIVERSITY	Yes
Private, not-for-profit 2-year	
SAINT CATHARINE COLLEGE	No
Private, not-for-profit 4-year	
ALICE LLOYD COLLEGE	Data received; not included in analysis per Kentucky
ASBURY COLLEGE	No
BELLARMINE UNIVERSITY	No
BEREA COLLEGE	Data received; not included in analysis per Kentucky
BRESCIA UNIVERSITY	No
CAMPBELLSVILLE UNIVERSITY	Yes
CENTRE COLLEGE	Yes
CUMBERLAND COLLEGE	Yes
GEORGETOWN COLLEGE	Yes
KENTUCKY CHRISTIAN COLLEGE	No

Appendix A.—Kentucky Affordability Study: Institutional Response—Continued

	Included in study
KENTUCKY WESLEYAN COLLEGE	No
LINDSEY WILSON COLLEGE	Yes
MID-CONTINENT COLLEGE	No
MIDWAY COLLEGE	No
PIKEVILLE COLLEGE	Yes
SPALDING UNIVERSITY	No
THOMAS MORE COLLEGE	Yes
TRANSYLVANIA UNIVERSITY	Yes
UNION COLLEGE	Yes

Appendix B.—Costs and aid data for all full-time Kentucky undergraduates by income and institution: AY2004

	Dependent				Independent		
	Lowest income quartile	Second income quartile	Third income quartile	Top income quartile	Lower one-half	Upper one-half	No FAFSA application
Public 2-year							
Sticker price	5,616	5,496	5,418	5,242	10,628	10,776	6,498
Net price	1,018	2,120	3,892	4,146	5,772	7,156	5,724
Out of pocket costs	746	1,714	3,126	3,380	4,718	5,896	5,666
Unmet need	762	506	180	12	5,500	4,708	0
Total grant	5,226	3,660	1,566	1,124	4,870	3,626	788
Federal grant	3,520	1,836	238	12	3,590	2,344	116
State grant	1,492	1,534	1,012	816	968	774	496
Institutional grant	86	152	176	172	52	52	54
Other grant	130	140	142	124	260	456	120
Total loan	272	404	766	766	1,054	1,258	58
Federal loan	272	404	762	766	1,050	1,258	58
Institutional loan	0	0	0	0	0	0	0
Other loan	0	0	4	0	4	0	0
Public 4-year							
Sticker price	11,308	11,612	11,774	12,108	11,312	11,252	12,238
Net price	5,006	6,904	9,040	9,728	5,972	8,216	9,962
Out of pocket costs	3,220	4,616	6,094	7,032	1,878	3,106	9,798
Unmet need	4,418	4,338	2,636	476	5,460	4,320	0
Total grant	6,492	4,808	2,776	2,418	5,456	3,096	2,298
Federal grant	3,376	1,660	208	18	3,474	1,652	44
State grant	1,984	1,920	1,358	1,270	1,278	850	1,040
Institutional grant	874	956	968	910	414	260	1,014
Other grant	258	272	242	220	290	332	200
Total loan	1,786	2,288	2,946	2,696	4,094	5,110	166
Federal loan	1,770	2,256	2,878	2,622	4,086	5,092	140
Institutional loan	2	2	2	0	2	2	0
Other loan	12	30	66	74	6	16	26

Appendix B.—Costs and aid data for all full-time Kentucky undergraduates by income and institution: AY2004—Continued

	Dependent				Independent		
	Lowest income quartile	Second income quartile	Third income quartile	Top income quartile	Lower one-half	Upper one-half	No FAFSA application
Private							
Sticker price	21,202	21,672	22,250	23,700	20,310	20,318	24,560
Net price	7,428	8,686	11,288	14,388	10,010	12,952	16,806
Out of pocket costs	4,492	5,432	7,580	10,490	5,642	8,584	16,352
Unmet need	6,836	6,490	4,834	1,418	9,604	8,902	0
Total grant	13,996	13,160	11,110	9,394	10,366	7,390	7,778
Federal grant	3,704	1,990	242	18	3,254	1,362	136
State grant	4,748	4,840	3,858	2,628	3,716	3,212	1,298
Institutional grant	3,730	4,760	5,752	6,174	1,730	1,258	6,126
Other grant	1,812	1,570	1,258	572	1,664	1,558	216
Total loan	2,934	3,252	3,706	3,898	4,368	4,370	454
Federal loan	2,770	3,074	3,500	3,538	4,264	4,246	380
Institutional loan	100	112	82	24	82	48	10
Other loan	64	68	124	338	22	76	64
Average							
Sticker price	10,170	11,162	11,882	13,112	11,364	11,542	11,158
Net price	3,790	5,864	8,318	9,846	6,050	7,942	9,092
Out of pocket costs	2,444	3,956	5,704	7,168	3,528	4,896	8,944
Unmet need	3,322	3,586	2,438	568	5,668	4,796	0
Total grant	6,730	5,454	3,620	3,308	5,374	3,630	2,086
Federal grant	3,458	1,742	218	18	3,524	1,998	66
State grant	2,064	2,150	1,614	1,424	1,228	952	908
Institutional grant	854	1,178	1,432	1,606	286	212	932
Other grant	356	384	354	262	336	470	180
Total loan	1,346	1,908	2,616	2,676	2,524	3,046	146
Federal loan	1,322	1,868	2,542	2,568	2,514	3,032	126
Institutional loan	10	14	12	4	4	4	0
Other loan	12	26	62	104	6	12	20

College Affordability in Kentucky: Part II – Examples of State Approaches to the Management of College Affordability

INTRODUCTION

The problem of college affordability is both common and of long standing. College costs are increasing faster than families' ability to pay and are for the most part outstripping the resources of student aid programs. At a time when a college degree is increasingly important, the financial effort required to attend college is becoming greater.

The higher education prices paid by students and their families are a function of a series of decisions that often are not coordinated. A public agency in each state has responsibility for setting tuition and fees in public institutions; individual private institutions set their own. Often, decisions about funding for state student aid programs are made without consideration for tuition. The federal government provides grant assistance to low-income students and supports a rapidly growing student loan program. Complicating the picture is a network of private and institutional scholarships and student assistance programs from a number of sources.

The resulting price that students pay, called net price, is often a mystery to all concerned. Net price is the student's price of attendance after grant aid is distributed. Out-of-pocket cost is the price the student pays after all grant and loan aid is distributed. An alternate measure is unmet need, indicating the student's remaining cost after grants and expected family contribution (EFC) are subtracted from the price of attendance. These measures are a better indicator of the price paid by students and the effort required to attend college than is the published price of attendance.

Affordability requires a partnership

Assuring affordability in this system requires a partnership between students and their families, the federal government, state government, institutions and the private sector (The College Board, January 2003). The state needs to consider the role of each participant to assure that all students can afford to attend college if they are qualified.

In addition, Kentucky needs a clear set of principles to guide day-to-day decisions. According to the College Board, the purpose of student aid is to assist financially needy students in closing the gap between the price of college attendance and the family's ability to pay. That should be a foundation for maintaining an affordable higher education system.

Perhaps the most difficult achievement is to provide the consistent funding necessary to maintain affordability throughout the business cycle. When state funds are limited, tuition often increases and student aid appropriations are frozen or cut.

An important part of a commitment to affordability is making sure that increases in tuition are linked to increases in need-based aid. Two states (Louisiana and Florida) are considering legislation to link increases in need-based aid to increases in tuition (Schmidt, May 13).

Keep student aid concentrated on low-income students

Given the political pressure to broaden eligibility for financial aid, keeping funds concentrated on low-income students is difficult to do. The College Board recommends that growth in merit programs should not be at the expense of need-based funding.

According to the Civil Rights Project Report (2002), state merit aid programs have done little to improve affordability. Over 90 percent of expenditures on HOPE scholarships in Georgia went to students who would have attended college anyway. In Florida and Michigan, grants were disproportionately awarded to racial majority students and students in wealthier communities. New Mexico's program had no impact on access, but it did shift some students from two- to four-year institutions. Eighty percent of the recipients were above the state median income.

Measure progress

In order to monitor the changing financial mix, Kentucky needs useful data that provide a measurement of college affordability for students with varying ability to pay. Regular summary reports of the prices paid to attend college in Kentucky will allow policy makers to track changes in affordability in a meaningful way.

DEFINING THE PARTNERSHIP

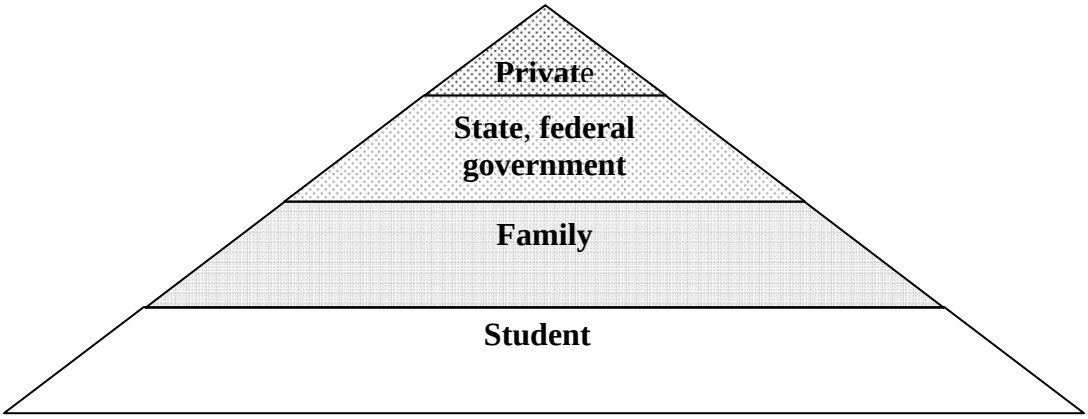
In addition to government and private sources, students and families have a responsibility to pay for college. The goal is to determine the fair share of the price of education that should be paid by each participant.

1. Student
2. Family
3. State government
4. Federal government
5. Private and institutional resources

Determining the appropriate share for each source will provide a basis for determining the appropriate role for the state. One way to think about responsibility is deciding who benefits. Higher education has both personal and public benefits.

The pyramid of financing shows the sequence of responsibility for the different entities.

Financial support pyramid for undergraduates



Family share

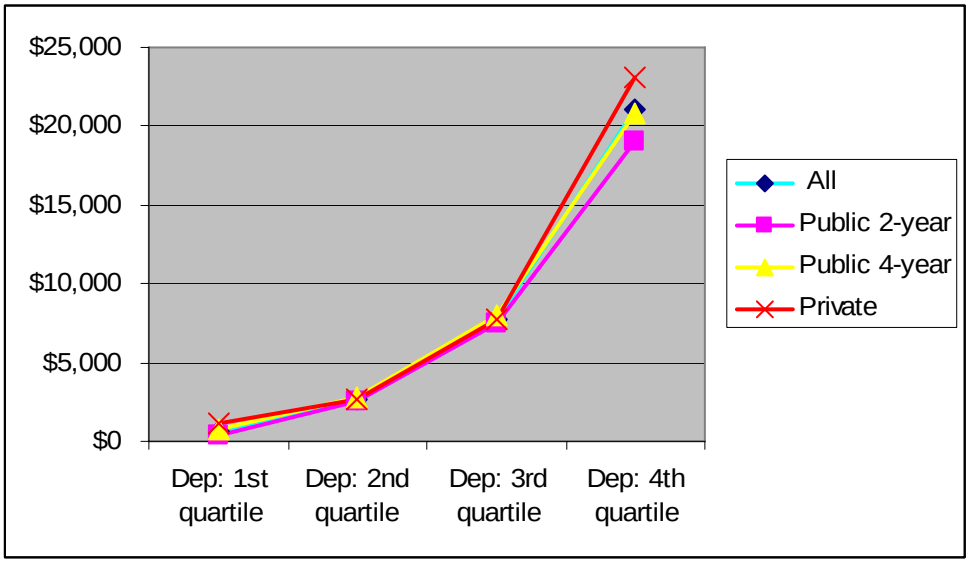
Students are the primary beneficiaries of education and should pay a reasonable amount toward their own education. Parents are traditionally expected to support students within their capacity to help. The federal needs analysis system allocates a share of discretionary income to pay for college costs.

Family ability to pay for college increases more quickly than income. Chart 1 shows the expected family contribution by income quartile for full-time dependent students in Kentucky who applied for student aid. The calculation is that used in the federal methodology. The income quartile breaks are as follows:

- Q1 Less than $24,100
- Q2 $24,101 to $45,200
- Q3 $45,201 to $73,899
- Q4 More than $73,900

The EFC is based on the amount of discretionary income available to families after basic expenses are met. The EFC calculation includes income, available assets, family size, number of family members in college and extraordinary expenses to come up with the final amount. Most students and their families in the fourth income quartile can pay their own expenses. The majority of those in the lowest income quartile can contribute very little from family resources and need the most help to attend college.

Chart 1. Expected Family Contribution for full-time dependent undergraduates in Kentucky



Public share

States and local tax agencies support institutions so they can provide education at a discounted price. Some of this support goes directly to institutions, some goes to the student and some is available through the tax code in terms of foregone taxes (tuition tax credits, property taxes, corporate taxes and tax-exempt contributions). We do not have any direct measure of the value of the tax subsidy, so it is not included in any of the analyses.

Federal government agencies provide grants to institutions; such grants are usually limited to a specific purpose. Most of the federal money, however, goes to students in the form of grants or guaranteed loans.

Private share

Private entities may provide funds to institutions or to students. These funds are usually discretionary. Private student aid may come from general institutional funds (unfunded) or from earmarked sources (funded).

Each educational sector in Kentucky has different sources of support

Students pay less than the full cost of their education in all higher education sectors in Kentucky. The following charts provide a rough picture of how funds flow to undergraduates and institutions in Kentucky from the major external sources. The schema do not include revenue that comes from internal activities such as institutional sales and services. Neither do they include associated living costs and other expenses, such as books and transportation, which are paid by students. Graduate students and their student aid are not included in the calculations, but cannot be excluded from the

institutional support totals. The charts provide a stylized picture of how each share of educational costs is distributed among the various partners.

Federal funds to institutions are often restricted in their use, while state funds are usually general funds. Examples of restricted funds include research grants or other grants or contracts limited to a particular purpose. General funds allow institutions greater latitude in how they can spend the money.

Funds to students are shown separately for loans and grants. Loans represent self-help with a small implied subsidy. The tuition paid is the average paid per undergraduate full-time equivalent student (FTE is calculated by equating three part-time students to one full-time student) and does not represent the published tuition for a full-time student. Part-timers may pay less and out-of-state students may pay more. The data for these charts come from IPEDS and the state student aid set collected from the institutions; there are separate charts for public 2-year, public 4-year and private institutions.

The results show the complexity of higher education finance, and also help to illustrate the difference between the cost of providing education and the price paid by undergraduates in the different sectors. The sources of support are, in part, a function of institutional mission and tax status.

Chart 2. Kentucky Finance Data for Public 2-year Institutions per FTE

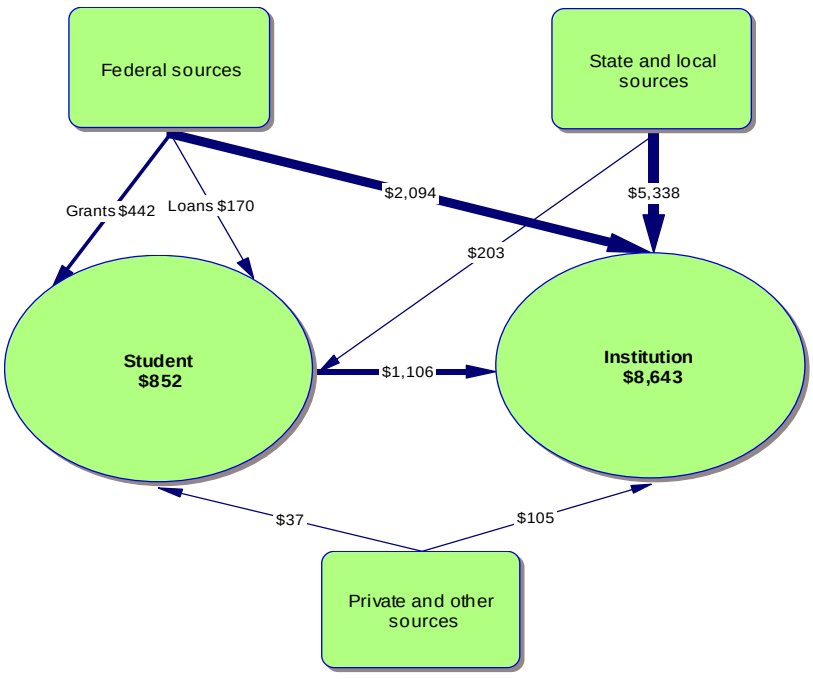


Chart 3. Kentucky Finance Data for Public 4-year Institutions per FTE

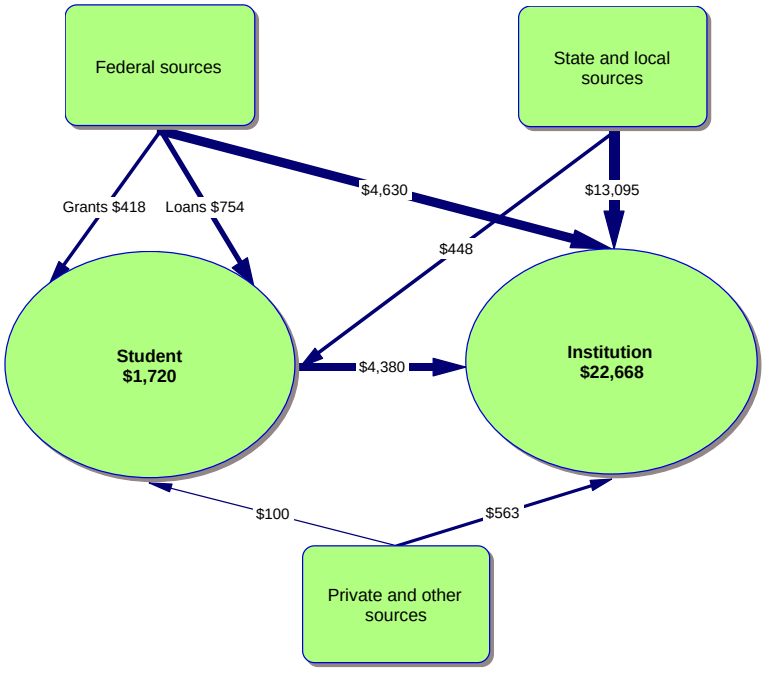
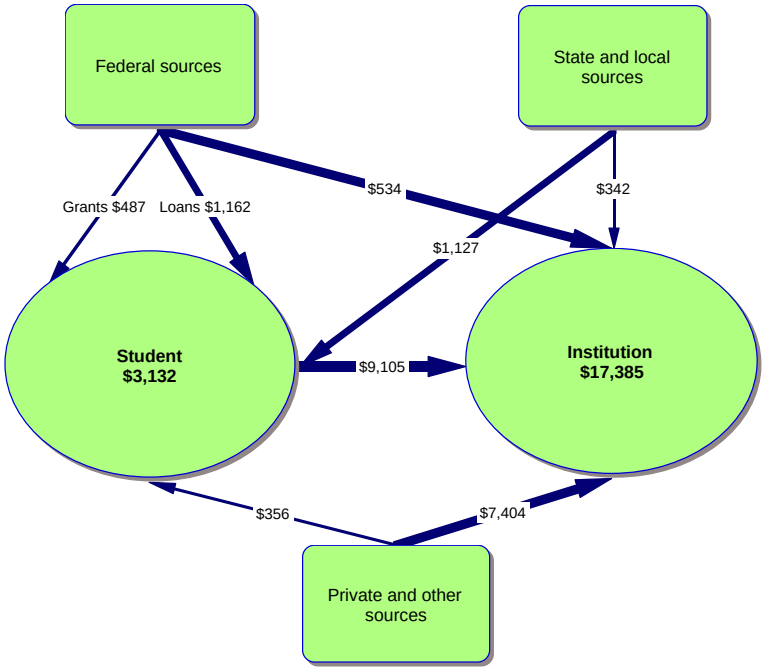


Chart 4. Kentucky Finance Data for Private Institutions per FTE



These three charts show the interdependency of financing. Affordability needs to be achieved while assuring that institutions have sufficient resources to deliver the quality of program needed in the state and have enough capacity to guarantee that every student who qualifies can enroll.

SPECIFIC GUIDANCE

Given the complexity of funding and the differences in institutional mission and tax status, it is difficult to translate principles of affordability into practice. Many states use a set of general indicators to help evaluate the affordability of higher education. An example of these indicators is found in *Losing Ground: A National Status Report on the Affordability of American Higher Education* (National Center for Public Policy and Higher Education, 2002). The authors make several recommendations.

- First, they suggest that the net price of education should not exceed 20 to 25 percent of family income. According to *Measuring Up* (2004), Kentucky was at one-third of family income.
- Second, state need-based aid should match or exceed Pell Grant awards in the state. *Measuring Up* put Kentucky's financial aid program at about 40 percent of Pell Grants.
- Third, the lowest-priced colleges in the state should provide educational opportunities to even the lowest-income families.

In *Measuring Up 2004: the State Report Card on Higher Education* published by the National Center for Public Policy and Higher Education, Kentucky received a D- on affordability. They base their rating on the fact that it would take 32 percent of a low-income family's income (defined as those in the bottom 40 percent of the population, with an annual income at or below $18,134) to attend a community college after aid was distributed and 33 percent to attend a public 4-year institution in the state. They also give Kentucky a low score on their investment in need-based aid, but are positive about increases over time.

These types of indicators provide general guidance on providing an affordable postsecondary education. However, they do little to determine how the funds should be allocated among students or institutions.

Examples of state approaches to affordability vary, largely based on state history. Generally there is a continuum between low-tuition, low-aid states and high-tuition, high-aid states. There are few examples of coherent policy integration to guide state decisions about affordability. Some states have worked on a specific approach that helps them coordinate resources to assure that all students can pay for education. Two specific and very different examples in Minnesota and Colorado are discussed below.

WHAT ARE OTHER STATES DOING?

Minnesota

Minnesota uses perhaps the most coherent model of managing affordability. An example of their approach helps explain how they integrate funds from different sources to assure affordability. The approach is called the Design for Shared Responsibility, and it defines an appropriate share of support to be provided by each of the funding sources.

The Student: Shared responsibility starts with the student's investment in his or her own future:

- Amount is a percentage of the recognized price of attendance.
- Students who choose more expensive institutions or programs have larger student shares.
- Students can pay their share out of earnings, savings, loans, scholarships and privately-funded grants.

The Family: The family's responsibility is based on ability to pay:

- Low-income families may not be expected to help pay.
- Higher-income families may be assigned all costs not assigned to the student.

The Taxpayer (if required): Federal and state taxpayers fill any gap between the recognized price and the student and family shares:

- Pell Grant
- Minnesota State Grant

Example

- Actual tuition and fees are used as a base amount, up to a recognized maximum.
- A standard allowance is provided for living and miscellaneous expenses.

Price of attendance

Tuition and Fees	$ 4,795
Living & Miscellaneous Expenses. .	$ 5,205
Recognized Price of Attendance . . .	**$10,000**

Determining the Shared Responsibility to Pay

Assigned Student Share (46%)	$ 4,600
Assigned Family Share (EFC).	$ 1,500
Total student and family share	**$ 6,100**
Eligibility for Federal Pell Grant . . .	$ 2,000
Student's State Grant	$ 1,900
Total Taxpayer Share	**$ 3,900**

The value of this approach is that it defines a role for each participant. The formula, once it is explained, can be understood by the participants, and they can see how funds are distributed. The most resistance comes from the fact that it asks for a sizeable contribution from students. This contribution assumes that a student could work at minimum wage and earn this much over the course of the year. At the same time, the large expected student contribution helps generate support among legislators, who may be uncomfortable with a program that does not ask enough from students.

In its current form, the formula provides the majority of state aid to low and middle-income students attending four-year institutions. The combination of student contribution and Pell Grants covers most of the costs of attendance for most community college students.

In summary, the method accomplishes the following:

- Considers all expenses that students must pay, not just tuition.
- Assumes that students bear a *significant* and *first* responsibility for paying for college.
- Controls the costs that are assigned to students so that they can be managed with work, loans, savings and other grants.
- Protects students from low- and moderate-income families from the effects of price increases.
- Allows the state to adapt to changing conditions by establishing in law:
    - The amount of living and miscellaneous expenses recognized
    - The maximum tuition and fees recognized
    - The percent of costs assigned to students
    - Modifications to the federal need analysis used to determine the family's ability to pay

Minnesota policymakers have been willing to provide adequate funding for the program for 20 years. One reason for the legislative support is the assignment of first responsibility to students, which is consistent with public opinion that students are the prime beneficiaries of postsecondary education. The method produces a defensible distribution of responsibility among students, families and taxpayers, and policymakers are inclined to support it.

The Minnesota model supports student choice by taking price into account. Sufficient "levers" allow state policymakers to make decisions within the model based on funding availability and an assessment of current affordability. The only application needed is the Free Application for Federal Student Aid (FAFSA). The program supports both full- and part-time students. The cost of the program is predictable in the short run based on enrollment assumptions.

The specific assumptions used in Minnesota could be adapted to accommodate circumstances in Kentucky.

Colorado

Starting this summer, Colorado will begin spending two-thirds of total state higher education appropriations directly on students. The remaining one-third would go to institutions. The program, called the College Opportunity Fund, awards up to $2,400 per semester to each student for up to five years of college. It works like a voucher. A student registers for the stipend and enrolls in school. That school then collects the money from the state and applies it toward tuition.

Colorado is the first state in the nation to establish a stipend plan for higher education. The new law requires colleges and universities to sign performance contracts with the state in order to continue to receive state funding. In part, institutions support this approach as a way around sharp reductions in state support mandated by the rules of the Taxpayers' Bill of Rights (TABOR). As part of the new agreements, colleges and universities will be freed from much of the current state regulatory oversight. Low-income residents who enroll at some private colleges in the state could be eligible for half of the stipend amount that public college students would receive.

- **Tuition Increases Limited to Inflation**. This section of the contracts creates a presumption that tuition should not be raised by more than the rate of inflation. Colleges and universities will be required to identify mandatory costs and to limit tuition and fee increases to no more than the inflationary amount by which those costs increase. The state will only consider tuition hikes above this amount if a school specifically identifies how the increased tuition will be used to improve quality and access for students.

- **Rigorous, Streamlined Core Curriculum**. The contracts will require that schools implement the Colorado core curriculum, which is designed to ensure that students can graduate in four years having completed a rigorous core curriculum of math, science, history, writing and critical thinking. It is anticipated that the implementation of the Colorado core curriculum will improve access and retention by helping students who transfer among Colorado's public colleges each year.

- **Faculty Pay-for-Performance**. Colleges and universities will be required to establish for faculty members a pay plan that emphasizes teaching and research performance and to report to the state how performance is measured and the type of differential pay awarded to faculty based on performance.

- **Combating Grade Inflation**. The contracts require each school to put in place measures to address grade inflation and to publicly report data on the distribution of grades in each department.

- **Increased Student Access & Success**. Colleges and universities will be required to increase recruitment, retention and graduation rates for students, especially under-represented low-income, male and minority students. Each institution's

contract will include specific numerical targets to improve retention and graduation rates.

- **Better-Prepared Teachers for K-12 Schools**. The contracts require that teacher candidates understand and use CSAP assessment data, work as student teachers in lower-achieving schools and study the differences in how boys and girls learn and behave. The contracts require that all faculty members who teach courses in content areas, such as math and science, be fully-qualified professors in the school or department offering the courses.

Among the current state regulations that will be waived once a college is operating under a performance contract:

- **Taxpayer's Bill of Rights (TABOR) restrictions**. Once a contract is signed, a school is allowed to accept stipends. By participating in the stipend program, institutions will qualify for enterprise status, thereby freeing the institutions from many of the requirements of TABOR.

- **Academic programs**. Once the contracts have been signed, institutions are freed from the regulatory approval process for new programs. This allows colleges to respond more quickly to workforce and other needs. CCHE's only review will be after the fact to ensure a program does not exceed an institution's role and mission.

- **Quality Indicator System**. Colleges will negotiate contracts with the Department of Higher Education and the governing board of each college and university system in the state. Each institution will have a performance contract that emphasizes statewide goals while acknowledging each institution's unique role and mission.

In a supplementary move, Colorado has passed legislation establishing a $50-million trust fund that will award annually $2.5 million in aid to low-income college students. To qualify for the awards, students must complete a college-preparatory curriculum in high school and be eligible for federal Pell Grants. The scholarships awarded by the state trust fund will be capped at the difference between each receiving student's Pell Grant and his or her total college costs (Schmidt, April 22). A similar plan is under consideration in Oregon.

Proponents of the program believe that the approach will provide more political support than could be garnered for institutional funding. If the Legislature wants to cut higher education funding, they would have to reduce student stipends. The resulting change in families' lives would make the political consequences more immediate. Students and their families could become a vocal constituency encouraging the state to keep investing in higher education. On the other hand, critics worry that the funding will be inadequate.

At least two other states, Arizona and Michigan, are proposing that tuition cannot increase more rapidly than inflation (Fischer and Hebel, 2005). Michigan and Texas are considering tying the institutional freedom to raise tuition to the achievement of institutional performance goals.

These approaches speak to the concern of universities that, although they receive less help from the state, they still must abide by state regulations. Several issues should be considered before moving in this direction.

- First, this approach only addresses one aspect of the affordability problem. It does not include federal and state responsibilities for student aid.
- Second, community colleges and regional four-year campuses do not have the same opportunities to develop alternative revenue sources or raise tuition as larger research universities.
- Third, the conditions of any contract are negotiated and have the potential to become political. Recent debate between the University of Colorado and the Governor of Colorado on how much the University can increase tuition exemplifies this problem.

Other state approaches

Other suggestions for a state role in making college affordable do not always include direct financial support. Ann Coles (2003) makes several suggestions about college affordability that do not include direct financial support. Generally, this type of approach concentrates on reducing costs by improving efficiency. Her recommendations include:

1. Reducing the time it takes for students to earn a college degree by expanding opportunities for students to earn college credits while in high school and aligning high school curricula with the first-year expectations of colleges.
2. Providing families with better information and guidance before students enroll in college.
3. Facilitating movement of students between lower-cost and higher-cost colleges.
4. Rewarding college readiness and college persistence.

Indiana's P-16 Plan for Improving Student Achievement is an inclusive effort to bring academic standards in line and provide information for students, parents and counselors to help students anticipate college costs and requirements. It includes a section on the affordability of college. Again, this set of suggestions defines strategic goals; unlike the Minnesota plan, it does not include specific rules. The greatest success in Indiana has been realized through improved counseling and academic preparation.

The language in the affordability section of Indiana's strategic plan reads as follows:

> "Ensure that access to higher education is not challenged by cost of attendance by adopting a coherent student assistance and institutional funding policy that is coordinated with expectations regarding resident undergraduate tuition and fees.

- Sustain institutional funding for state universities at levels that will allow for increased quality without resulting in significant increases in residential undergraduate tuition and fees.
- Ensure tuition and fees at Indiana's two-year colleges are no higher than the national average.
- Adopt a long-range policy for providing need-based assistance to academically-prepared resident undergraduate students reflecting the financial needs of those in different sectors of higher education."

These programs are vulnerable to budget cuts. Even though Indiana had an exemplary approach to pre-college preparation, the support for the program has been sharply reduced. In part, this is because these programs fall between sectors and do not have the necessary institutional support for funding when times get tough.

SUMMARY AND RECOMMENDATIONS

Affordability is an issue that needs to be addressed in a comprehensive manner. The plan should define a role for each of the funding participants. We support the development of a shared responsibility plan similar to that used in Minnesota. It provides specific guidance, is easy to understand and will generate political support. Adjustments can be made each year based on availability of funding and enrollment. This improves the chances that the different policy makers in the state understand the linkages between state student aid and tuition and do not treat student aid as an unrelated budget item.

Other plans to guarantee affordability fail to provide a comprehensive approach to tying policy decisions about tuition to those of state student aid programs. The Colorado approach mandates a moderate increase in tuition, but does not address other factors in the affordability equation. It also burdens institutions with a contract that needs to be negotiated and has the potential to generate political debate.

The Indiana approach is more inclusive and suggests that access is linked to affordability. Helping students and their families prepare academically and financially for college is an important adjunct to assuring that higher education is affordable for everyone. Low-income students often face other barriers to their education. Addressing the affordability barrier without consideration for other academic and social needs will not address the longer-term issues of achieving educational parity with other states.

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College Affordability in Kentucky: Part III – Examining International Strategies for Increasing College Participation

INTRODUCTION

In examining international practices for increasing participation in higher education, it is well to keep two key facts in mind. The first is that to a very large extent, America is a leader in access practices. Its higher education system has been providing mass higher education longer than any other country; moreover, it has always done so in a context where students were paying tuition and fees. It has, therefore, faced these issues longer than most and has set the standard to which other most other countries aspire. Generally speaking, other countries have set their policies with respect to access with at least one eye on the American experience.

The second is that to an even larger extent, the quality of "evidence" about the effects of policies and programs in other countries is far inferior to that available in the United States. Simply put, most countries have not seriously evaluated the effectiveness of their own programs, and to the extent they have, the culture of research in areas of access to education is considerably less sophisticated than that in the United States.

As a result, a look at international practices for widening participation does not reveal a great deal of evidence or thinking that is not already available in the United States. It does, however, give a sense of the kinds of strategies that appear to translate themselves well into other settings and which are, if not "proven" effective, then at least widely believed by practitioners to be effective.

This examination of international practices for widening participation is divided into two sections: financial aid strategies and non-financial aid strategies.

FINANCIAL AID STRATEGIES

A number of countries have used a variety of tuition and financial aid strategies to try to improve participation generally, but particularly for students from lower-income backgrounds. These strategies can be categorized into four major groups:

A. Reducing/Eliminating Tuition

Reducing or eliminating tuition is perhaps the most obvious strategy for increasing access to postsecondary education. It is not, however, a demonstrably successful one. Three international jurisdictions have implemented this strategy in the past decade: Ireland and the Canadian provinces of Manitoba and Newfoundland.

Ireland

Ireland abolished tuition and fees in 1996 for first-time students in full-time, approved undergraduate courses due to widespread concern about the equity of their grant

programs. The initiative aimed to remove psychological, as well as financial, barriers to participation.

Prior to the introduction of tuition and fees, participation in higher education was already rising sharply, and this trend continued after the elimination of fees. It is therefore difficult to conclude that the elimination of fees was the cause of any subsequent increase in participation. Although the decrease in fees may not have had an effect in terms of increasing participation (increasing total enrollments), it is reasonable to suggest that it may have had an effect on widening participation. However, further analysis found that the post-1996 increase in enrollment did not result in any change in the socio-economic composition of college entrants; students from all backgrounds saw their participation rates rise in roughly the same proportion as before.

Manitoba

In the early 1990s, tuition and fee charges at Manitoba's universities rose precipitously, with annual increases averaging 20 percent between 1990–91 and 1992–93, after which they rose 5 to 6 percent annually. A further double-digit increase in 1999–00 led to student protests. However, in 1999 the New Democratic Party won the provincial election. Tuition was lowered by 10 percent in 2000–01 at all universities and colleges in the province, and has remained frozen at that level. (Swail, 2004).

There was a noticeable correlation between enrollments and tuition in Manitoba. During that period, total enrollment fell from 37,575 in 1992-93 to 30,695 in 1999-00, almost entirely due to a drop in part-time enrollment (full-time enrollment stayed roughly constant at 22,000). However, in the years following the tuition reduction, enrollment quickly regained and even surpassed its earlier levels, reaching an estimated 39,367 by 2003-04, with gains split more or less evenly between full- and part-time students (Junor & Usher, 2004). Because enrollments all across Canada rose by about 20 percent over the same period (Junor & Usher, 2004), tuition reduction cannot be considered the definitive measure.

Newfoundland

University tuition rose for many years in the province of Newfoundland and Labrador until a provincial government was elected, promising to reduce tuition by 25 percent over 3 years. The first decrease of 10 percent was introduced in 2001–02, followed by a second 10 percent reduction in 2002–03. A final cut of five percent was implemented in the 2003–04 academic year.

As in Manitoba, enrollments at Newfoundland's sole university were declining in the years prior to the tuition cut, from 17,850 in 1992-93 to 15,700 in 2000-01 (although given the province's rapidly declining population, the participation rate was actually staying more or less constant). In the three years following the tuition cut, enrollment rose again to an estimated 17,092 in 2003-04.

Again, however, while there is a superficial correlation between reduced tuition and increased participation, the fact remains that this jump in participation was just part of a

nationwide phenomenon. Newfoundland's enrollment increase was in fact slightly smaller than that seen in the rest of the country during the same period, which suggests at the very least that claims about the relationship between tuition and enrollments in this case must be viewed with some caution.

Summary on Reducing/Eliminating Tuition

The three recent experiments in lowering tuition all occurred at a time of rising enrollment and therefore have been credited with at least some success in improving access to education. However, in one case (Ireland) the increases in the participation rate began prior to the tuition decrease, thus calling into question the role of tuition policy as a catalyst of the enrollment shift. In the other two cases, broader national forces may plausibly be said to have played a role in the increase in enrollments. Moreover, in none of the three cases has any "widening" of participation been demonstrated – increases in enrollment left the socio-economic composition of the student body essentially unchanged.

B. INCREASING THE AVAILABILITY OF GRANTS

Perhaps surprisingly, there are very few countries that have used increases in grants as a means to promote access to education. The three exceptions to this are Sweden, Germany and Canada.

Sweden

The Swedish system started out purely as a loan scheme and became more grant-based over time. A very small hybrid need-and-merit based loan scheme existed prior to WWI, and grants were introduced in the 1960s to create a 75-25 percent loan-grant award (1965). The grant share of assistance diminished considerably in the 1980s (to a low of 6 percent) but increased over the 1990s to its present level of 34.5 percent.

Swedish grants are not needs-tested; 100 percent of students receive them (Vossensteyn, 2004). This means in part that postsecondary education is very affordable in Sweden – indeed, more affordable than anywhere else in the world. But this has not meant that Sweden has an especially accessible system of education; our literature search was unable to find any studies relating to the impact of student financial assistance on participation or access in Sweden.

Germany

The German BAfoG (Federal Law to Promote Education) law was passed in 1971 and provided the federal government with a role in education by creating a family means-tested student assistance program which also required parents by law to make financial contributions. BAfoG has a federal-provincial (lander) funding arrangement similar to Canada's. Sixty-five percent of funds are provided by the federal government and 35 percent by the lander. In the beginning, BAfoG was 100 percent grant. In 1974, the award was made part-loan, part-grant, and in 1983, in response to increasing budgetary pressure, BAfoG awards became loan-only (albeit ones that were interest-free for the life of the loan).

Oberg (1997) investigated the "natural policy experiment" of the period from 1983-1991, when grants were first eliminated and then re-introduced. Oberg's data suggest that the abolition of grants was followed by a decrease in participation rates for students from all socio-economic backgrounds and that the re-introduction of grants resulted in a large increase in participation across all socio-economic groups. In other words, grants and participation rates moved in tandem: when one increased, so did the other. Oberg's analysis provides fairly strong evidence that, in the German case at least, grants had a significant effect on participation.

Canada

In 1998, as part of its millennium celebrations, the Government of Canada announced the creation of a Canada Millennium Scholarship Foundation, which was endowed with $2.5 billion to dispense grants of roughly $3,000 to 100,000 students annually for a period of 10 years. This $300 million/year injection in theory should have increased non-repayable aid in Canada by roughly 33 percent. However, since in Canada it is the provincial governments that are responsible for "packaging" aid, the introduction of a new source of aid led to significant displacement of existing grant dollars (a version of the "last dollar" problem in student aid in the United States). A mid-term review of the effectiveness of the Foundation concluded that the effect of this program on access to education was "likely limited."

Summary on Increases in the Availability of Grants

Increasing grant assistance is generally held to both increase and widen participation in higher education, and the international evidence on this point does not contradict this view. That said, the international evidence in favor of the position is not very convincing, either. Grants may have an effect, but presumably their effect would depend substantially on the context in which they are introduced and the manner in which they are targeted.

C. INCREASING LOANS

A number of countries have recently implemented major increases in loan limits; however, since these often tended to occur in conjunction with changes in tuition policy, they will be considered separately in the following section. Here we concentrate on the one country, Canada, where loan ceilings were substantially increased in the absence of a sudden tuition policy change.

Prior to 1994, student assistance in Canada worked in the following manner: the Government of Canada, through the Canada Student Loans Program, would meet the first $105 of need per week of study (effectively, $3,570 per academic year) through a student loan. Need above this level was the responsibility of provincial governments, and was generally met through grants. In 1994, the Government of Canada moved to a new form of assistance, providing up to 60 percent of *all* assistance, up to a maximum of $165/week. This new cost-sharing mechanism meant that all provinces now had to share in meeting need from the first dollar, which substantially increased their program costs. Many provinces, at the same time beset by rising deficits, chose to change their grant

programs into loan programs. This meant that in many provinces, the loan limit went from $105/week to $270/week in a very short space of time (although this was partially offset by the elimination of provincial grants). This led to a very large increase in borrowing.

This jump in borrowing had no impact on overall enrollment in Canada, which remained relatively stable throughout the period 1992-1999 (Junor & Usher, 2004). The period of increased borrowing did, at least, coincide with a marked increase in the participation patterns of attendance among lower-income students (Corak, Lipps, & Zhao, 2003). However, the evidence suggests that the increase in low-income students' participation rates may have begun prior to the change in loan policy, and in any case correlation is not the same as causation. The results here are intriguing, but no more than circumstantial.

D. INCREASES IN TUITION AND FEES COMBINED WITH LARGE INCREASES IN LOANS.

There are four major instances of this throughout the world: Australia, New Zealand, the United Kingdom, and China. In all four cases, fees were introduced and loan programs (hitherto unknown in either Australia or the United Kingdom) were introduced as a compensatory measure. In each country, the loan programs put in place were "income contingent" (see Usher, 2005), though this repayment issue is effectively a side note to the main point, which is the increased availability of loans.

Increasing fees to increase participation may seem counter-intuitive to some, but the logic is more or less straightforward. In many countries, the prime barrier to increasing participation is institutional capacity rather than cost (Swail & Heller, 2004). Where public finances are strained, the only way in which capacity can increase is through tuition and fees (Johnstone, 2002). Therefore, one way to increase capacity is to introduce fees, re-invest the money in capacity expansion and introduce a system of student loans to help students pay the new costs. The following are the experiences of each of the four countries in this respect.

Australia

In 1988, Australia introduced a tuition scheme known as "HECS," a charge of about $1,800 Australian per year of studies, which could either be paid "upfront" or on an income-contingent basis. If paid on an income-contingent basis, the debt would carry no real interest; if it was paid up front, students would receive a discount of 15 percent. In 1996, HECS charges were changed so that there was differential charging by program of study, with all programs being categorized as belonging to one of three "bands" (currently set at approximately A$4,800, A$6,800 and A$8,000).

The conclusions from the Australian research with respect to access to education are surprisingly similar to the results seen for jurisdictions where there have been decreases in tuition and fees:

(i) The introduction of fees and loans in Australia was associated with aggregate increases in higher education participation. From 1989 (the year the program was introduced) to 1994, participation in Australian universities increased by 33 percent, and between 1994 and 1999 it increased again by another 17 percent to 1999 for a decade-long increase of 55 percent. This compares to growth of 23 percent in the five years prior to the introduction of tuition (Abbot & Doucoliagos, 2003); and

(ii) HECS did not result in a decrease in participation for prospective students from relatively poor families, although the absolute increases were slightly higher for relatively advantaged students (Andrews, 1999).

New Zealand

Inspired by the Australian model, New Zealand introduced tuition and fees in 1990 and a companion student loan program in 1992 (Chapman, 2005). Tuition was set initially at about NZ$1,200, but has since increased to between NZ$3,500 and NZ$4,500, depending on the program.

Participation rates in New Zealand increased enormously after the introduction of tuition and fees. In 1990, shortly before the introduction of fees, the participation rate in higher education among the 18-24 age group was just over 20 percent. By 2001, the figure had risen to nearly 35 percent (McLaughlin, 2003).

New Zealand tends to rely on indirect measures of SES status (race, income decile of the catchment area of the high school attended, income of community of origin, etc.) rather than direct measurement of parental income, socio-economic status, education, or occupation. Research shows that between 1997 and 2000, the proportion of students from low-income communities who went on to tertiary education rose from 18 to 26 percent and the proportion of students from decile one (the lowest decile) schools who went on to university rose 50 percent. Among Maoris, participation doubled between 1997 and 2003 (LaRocque, 2004).

United Kingdom[1]

In 1997, the British government announced a plan to introduce tuition and fees (initially £1,000 annually) in the 1998–1999 academic year. The plan was a response to strong demands for new resources for higher education after years of declining support (Walker, 1997).

Initial enrollment data following the introduction of tuition and fees do not suggest that the change in tuition policy had any effect on enrollments, apart from a slight increase in the number of part-time students. In fact, contrary to the stated aim of the policy, the extra £1,000 per student appears to have gone to increased expenditures per student rather than increased capacity. This is not to say that increase per student expenditures are a bad thing, but rather that the outcome was contrary to stated policy.

[1] Technically, England and Wales, as the Scottish Executive has followed a somewhat different policy on tuition.

In terms of participation by socio-economic status, the best available evidence appears to show that there has been little or no impact of the introduction of fees on participation of students from lower-income neighborhoods (Higher Education Funding Council for England, 2005).

China

In 1996, the Government of China decided to radically increase the size of its universities. The goal was to treble enrollments by asking institutions to increase the size of their income classes by 50 percent for three years over the period 1997-1999 (Shen and Li, 2003). This was funded in part by tuition and fees of approximately 5,000 renminbi, which, in addition to living expenses (students in China are required to live on campus) meant that educational costs were approaching 100 percent of GDP/capita, a much higher level than anything seen in OECD countries.

Since the introduction of this policy, enrollments in China have risen from roughly 6-7 million students to around 20 million students today. Though this expansion has not been driven entirely by fee income, it is clear that income from tuition was a major part of the overall expansion effort.

The introduction of student loans cannot take much of the credit for this development. Over the 5 years the student loan scheme has been in operation, fewer than 1.5 million students have borrowed to finance their education (Bangyan, 2005). Unlike in most OECD countries, most private higher education expenditures are financed directly from family savings. Chinese families, on average, pay roughly 65 percent of total student costs through savings (Li, 2005).

Summary on Increases in Tuition and fees and Increases in Student Loans

In three of the four countries examined, the raising of tuition and fees accompanied by the introduction of loans has been shown to be the cause of a major increase in participation (although in one of these, the impact of student loans appears to be negligible). In New Zealand, there appears to have been a "widening" of participation to help previously unrepresented students, although the connection to the increase in fees and loans is tenuous. In the other two countries where data are available — Australia and the UK — no change in participation by socio-economic group was found. This result does not simply mean that the goal of widening participation was not met in these two cases; given that participation from these groups *may* have increased in the absence of tuition and fees, we cannot say with any certainty that the policy may not have hindered participation.

NON-FINANCIAL AID STRATEGIES

In principle, most national governments recognize that barriers to education are both financial and non-financial in nature. Despite this, however, there does not appear to be any foreign government program that in any way tackles these issues among traditional-aged students in the way that American GEAR UP programs do (Taylor, 2001). Instead, initiatives to overcome non-financial barriers among traditional-aged students tend to be left to individual institutions. The only exception to this rule is in Great Britain where, although efforts to overcome barriers are situated at the institutional level, there are some national-level goals and targets being set. To the extent that there are national-level initiatives on non-financial barriers, they tend not to be for traditional-aged school populations, but rather for older learners or, in a few rare cases, for specific minority populations (notably Aboriginals).

There are a number of reasons why this is the case. In some countries (France and Germany), the expansion of higher education is simply not on the political agenda. In other countries (Canada), barriers are seen as primarily financial in nature. In still others (Canada again), the barriers are seen as primarily related to insufficient institutional capacity.

Even to the extent that other countries see barriers to postsecondary education in the way Americans do, the proposed solutions are not always the same. Take, for instance, the issue of cultural capital – that is, the deficits of motivation, family encouragement, and guidance that low-income youth have (on average) when compared to higher-income youth. In the United States, the response to this problem has been the creation of early intervention programs in order to try to augment individuals' cultural capital and make it easier for them to enter a higher education institution. In Europe, the problem is often viewed from the other angle – that *institutions* require too much cultural capital to enter and succeed, and that institutions have to be made less elitist in order to make it easier for individuals with lower levels of cultural capital to have access to higher education (what one commentator refers to as "in-reach" as opposed to "outreach" – see Osborne, 2003). That being said, specific plans to make institutions less elite have been few and far between, unless one includes the wholesale creation of new institutions, as was done in England in the early 1990s when a large number of former polytechnics were given university status.

Even as foreign governments are looking at specific early intervention programs such as those familiar to US states, by and large these countries are using American research and American models of program delivery in order to achieve their goals. This can be seen from the following short overview of major programs in each country.

The United Kingdom

The main early intervention program in the United Kingdom is known as *Aimhigher*. The purpose of *Aimhigher* is to raise aspirations and motivation of youth toward higher education and raise the academic attainment of these youth. This is done by providing information, advice, and guidance to potential HE students and their teachers and families

so that learners are well-advised about their future. The methods chosen for this include organizing summer schools, taster days, master classes and mentoring schemes to raise the aspirations and attainment of young people with the potential to enter HE. Employers, trainers and training partners are engaged to try to bring students from vocational careers into higher education and, more generally, encouraging those in the workplace to undertake distance learning.

Funding and project "themes" are determined and distributed nationally, but specific projects are undertaken at the regional level and delivered at the local level by individual schools. Some examples of national themes include "AchieveAbility," which is intended to help youth with dyslexia move into higher education; "Chemistry - the Next Generation;" "Higher Education Gateway for the Gifted and Talented;" "Raising Aspirations into Science and Engineering;" and "Raising Attainment, Awareness and Aspirations Through Football."

Institutions have also come up with some schemes to widen participation on their own. Some notable successes include the "Step-Up to Science Project" at the University of Ulster, which encourages low-income youth in Londonderry to pursue science-related higher education by raising educational attainment and aspirations (see O'Kane & Trotman, 2001) and the use of "Higher Education Foundation Courses" at Northumbria University as a means to improve the transition — and hence the retention rates — of mature students to higher education (see Crane & Harrison, 2001).

Australia

For much of the 1990s, the Australian Government targeted its participation-widening efforts on six disadvantaged groups: people from socio-economically disadvantaged backgrounds; aboriginal and Torres Strait islander people; women; people from non-English-speaking backgrounds; people with disabilities; and people from rural and isolated communities (see DEET, 1990). Specific targets and deadlines were set for achieving greater participation of these groups in higher education. In addition, institutions were required to develop individual equity plans which took account of the national plan, integrated equity objectives into their financial plans and monitored and reported on progress in these efforts. The Federal Government provided Equity Funds on a competitive basis to encourage institutions to come up with innovative programs. Despite this effort, a 1996 review found that with the exception of women, none of the equity groups had made significant progress (HEC, 1996). This may have been because the programs were ineffective, but it may also possibly have been because the introduction of tuition and fees was exerting a countervailing effect to the initiatives. A change of government in 1996 pushed the widening-participation agenda to the back burner; no new initiatives were introduced and monitoring and reporting on under-represented groups was reduced.

Generally speaking, Australia has little in the way of early intervention and outreach programs in the sense that these programs are known in the United States. Instead, underrepresented groups are targeted through specific admissions schemes (reserving a certain number of spaces at an institution, much more like an affirmative action quota)

and then given extra supports, both financial and non-financial in nature. These programs are not national in scope. Instead, they are local-level initiatives.

One example of this is the University of Technology Sydney's (UTS) InpUTS Scheme. This scheme is open both to students who have and have not finished high school and allows approved applicants (see below) to enter a UTS course with a lower entry score than is normally required, in recognition of applicants' long term educational disadvantage and limited opportunities to properly prepare for university entrance. Criteria for inpUTS include interrupted schooling, severe family disruption, excessive family responsibilities, English-language difficulty, attending a disadvantaged or isolated school, financial hardship, adverse study conditions, personal illness or disability. The university reserves five percent of undergraduate places for eligible inpUTS applicants and provides them with financial assistance (interest-free loans, small cash grants for those who can demonstrate severe financial hardship) and remedial study skills such as language and computing (see www.uts.edu.au).

New Zealand

In New Zealand, the problem of under-representation is largely conceived in racial terms, with Maori and other Pacific Islanders occupying the role of marginalized groups. To a very considerable extent, the solution to this problem is seen in terms of providing Maori students with "culturally appropriate" university experiences, either through Maori-controlled institutions called "Wananga," or through special Maori-related programming at the country's eight universities.

New Zealand has no national-level programs to improve participation among under-represented groups based on anything other than race. One institutional-level program of note, however, is the *Pathways to University* program at Auckland University. The program provides intensive social and academic support for a single "bridging" year to adult or "second-chance" learners who have already had some type of government-funded training at a Private Training Establishment and wish to move on to University study. Students in the program receive extra financial assistance during this year through a special government scholarship. After the bridging year, students are "mainstreamed" and receive no further special program assistance (see Terrell, 2001).

Ireland

Ireland, like most of the other countries in this survey, does not have any national outreach strategies or programs for students from under-represented or disadvantaged backgrounds. What it does have is the Higher Education Equality Unit, which is responsible for raising awareness and promoting national communications about equity in higher education, publishing research and developing recommendations on equality practices.

To the extent that there has been any government funding at all, it has been to allow institutions to hire program officers to run institutionally-initiated programs (Carpenter, 2003). Institutional outreach programs in Ireland follow a similar pattern to those in other countries. Perhaps the most interesting of them is the University College of

Dublin's (UCD) New Era Program. Similar in conception to the Australian inpUTS scheme, the New Era Program reserves certain places for students from 30 specific high schools that serve low-income populations. UCD also has a specific outreach program to these schools, which includes career information workshops, direct financial support to pupils for attendance at educational courses, institutional visits by parents, teachers and pupils, student shadowing and student tutoring. An additional feature of the outreach program is the Discovering University Course — a one-week university-based summer school for pre- and post-Junior certificate students, managed jointly by UCD and the National College of Ireland. Prior to entering the institution, New Era students are required to take a two-week summer bridging course which is meant to help develop learning and study skills appropriate to higher education. After entry to the university, some limited continuing support is available in the form of additional tutorials and academic mentoring. Finally, there is a financial component in the form of a means-tested grant which – unusual for Europe – is funded through private philanthropy (Carpenter, 2003).

Canada

Because education is a zealously-guarded provincial jurisdiction in Canada, the country has no national-level early-intervention schemes. However, with one crucial exception (see below), Canadian provinces have avoided introducing any early intervention program and universities have only recently begun to look at outreach programs for under-represented groups (though first-year bridging programs have a reasonably long history). Indeed, until the Canada Millennium Scholarship Foundation began raising issues of cultural capital as barriers to education – notably through a survey of American early intervention programs (Cunningham and Merisotis, 2003) – these kinds of programs were simply not on the country's radar screens. While the Canada Millennium Scholarship Foundation is now running an incredibly sophisticated set of random assignment pilot programs (far more advanced than anything seen in the US) to test the relative efficacy of financial, information/outreach and academic early interventions (see Pelletier, 2005), the idea of early intervention does not seem to be an attractive one for provincial governments. This may in part be due to the fact that gaps in participation between richer and poorer Canadians, though significant, are not as acute as they are in the United States (see Frenette, 2005).

The one major exception to the rule about early intervention program relates to aboriginal students. Of the provincial and institutional programs, Manitoba's ACCESS program is widely considered to be the "gold standard," combining as it does very significant financial assistance with social and academic supports throughout a course of studies. Some ACCESS programs have a specific academic bent, such as the one for native students entering the Faculty of Medicine or Faculty of Engineering at the University of Manitoba.

Sweden

With free tuition and a generous set of non-means-tested loans and grants, few financial barriers to higher education exist in Sweden. To the extent that the Swedes perceive any barriers to education, they are the result of either distance (students from rural and remote

areas) or culture (new immigrants). These problems have largely been dealt with through the creation of new institutions which are mandated to serve either particular areas or particular under-represented groups. Widening opportunities for students with disabilities is also an issue; institutions have been mandated to spend .15 percent of their income on special arrangements for these students (Forneng, 2003).

CONCLUSIONS

This brief tour of government policies to help youth overcome non-financial barriers to access shows that there is little – if anything – occurring in other nations that is not already being done in the United States. At the governmental level, activity among US states is far higher than it is among governments abroad. At the institutional level, we have no real way to compare the volume of activity, but the pattern of activity is certainly similar in that it concentrates mainly on the provision of various types of social and academic support. Some areas where there does appear to be real leadership in other countries – distance education in Australia, provision of aboriginal education in Canada and New Zealand – are not necessarily of relevance to Kentucky's specific situation.

Moreover, there is a tendency in other countries to focus on "in-reach" rather than "outreach" – that is, providing extra services to students from underrepresented groups who are already in the system, rather than devoting resources to seeking out youth from these groups and raising aspirations and academic performance. In truth, only the UK can really be said to have anything approaching an "outreach" strategy through its *Aimhigher* program. As a result, states looking to improve their outreach programs are probably better advised to look at other models within the US than abroad.

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